



Northumberland County Council

Your ref:

Our ref:

Enquiries to: Andrea Todd

Email:

Tel direct: 01670 622606

Date: 21 November 2023

Dear Sir or Madam,

Your attendance is requested at a meeting of the **AUDIT COMMITTEE** to be held on
**WEDNESDAY, 29 NOVEMBER 2023 at 10.15 AM in THE COUNCIL CHAMBER, COUNTY
HALL, MORPETH, NE61 2EF.**

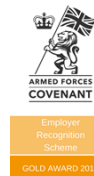
Yours faithfully

Dr Helen Paterson
Chief Executive

To Members of the Audit Committee



Dr Helen Paterson, Chief Executive
County Hall, Morpeth, Northumberland, NE61 2EF
T: 0345 600 6400
www.northumberland.gov.uk



AGENDA

PART I

It is expected that the matters included in this part of the agenda will be dealt with in public.

1. APOLOGIES FOR ABSENCE

2. MINUTES

(Pages 1
- 10)

Minutes of the meeting of the Audit Committee held on 27 September 2023, as circulated, to be confirmed as a true record and signed by the Chair.

3. DISCLOSURE OF MEMBERS' INTERESTS

Unless already entered in the Council's Register of Members' interests, members are required where a matter arises at a meeting;

a. Which **directly relates to** Disclosable Pecuniary Interest ('DPI') as set out in Appendix B, Table 1 of the Code of Conduct, to disclose the interest, not participate in any discussion or vote and not to remain in room. Where members have a DPI or if the matter concerns an executive function and is being considered by a Cabinet Member with a DPI they must notify the Monitoring Officer and arrange for somebody else to deal with the matter.

b. Which **directly relates to** the financial interest or well being of a Other Registrable Interest as set out in Appendix B, Table 2 of the Code of Conduct to disclose the interest and only speak on the matter if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain the room.

c. Which **directly relates to** their financial interest or well-being (and is not DPI) or the financial well being of a relative or close associate, to declare the interest and members may only speak on the matter if members of the public are also allowed to speak. Otherwise, the member must not take part in discussion or vote on the matter and must leave the room.

d. Which **affects** the financial well-being of the member, a relative or close associate or a body included under the Other Registrable Interests column in Table 2, to disclose the interest and apply the test set out at paragraph 9 of Appendix B before deciding whether they may remain in the meeting.

e. Where Members have or a Cabinet Member has an Other Registrable Interest or Non Registrable Interest in a matter being considered in exercise of their executive function, they must notify the Monitoring Officer and arrange for somebody else to deal with it.

NB Any member needing clarification must contact

monitoringofficer@northumberland.gov.uk. Members are referred to the Code of Conduct which contains the matters above in full. Please refer to the guidance on disclosures at the rear of this agenda letter.

- 4. MONITORING REPORT / ACTION LOG 2023-24** (Pages 11 - 16)
- The Audit Committee operates under an agreed programme of core business, in accordance with its Terms of Reference as set out in the Council's Constitution. The Committee is asked to review and note its monitoring report/action log for the 2023/24 council year.
- 5. REPORT OF THE DIRECTOR OF LAW AND GOVERNANCE** (Pages 17 - 24)
- Governance Review – Update on Continued Progress**
- The report summaries progress on delivering the Council's action plan following the independent review of governance undertaken in 2022.
- 6. REPORT OF THE EXECUTIVE DIRECTOR OF TRANSFORMATION AND RESOURCES** (Pages 25 - 54)
- FPS Local Pension Board Annual Report**
- This is the annual report of the Northumberland County Council Firefighters' Pension Scheme (FPS) Local Pension Board ("the Board"), which was constituted in 2015 as part of changes introduced by the Public Service Pensions Act 2013. It is the intent of the Board to use the annual report to inform the Scheme Manager (i.e. NCC's S151 Officer in consultation with the Chief Fire Officer) of NCC's data on FPS membership, statement of accounts, and issues progressed through the Internal Disputes Resolution Procedure (IDRP) and Fire Disputes Panel.
- 7. REPORTS OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT**
- 7.1 Strategic Audit Plan 2023/24 - Interim Monitoring Statement** (Pages 55 - 72)
- The purpose of this report is to provide the Audit Committee with an interim (half yearly) monitoring statement in respect of the Strategic Audit Plan for 2023/24 (this document is attached as Appendix 1).
- 7.2 Key Outcomes from Internal Audit Reports** (Pages 73 - 94)
- The purpose of this report is to advise Audit Committee of key outcomes from Internal Audit reports issued between May 2023 and October 2023.
- 7.3 Corporate Risk Management Update** (Pages 95 - 98)
- The purpose of this report is to provide Audit Committee with an update on the latest position of the corporate risks following review by Executive Team and Cabinet portfolio holders.

8. **REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES** (Pages 99 - 114)

Treasury Management Mid-Year Report 2023-24

This report provides a mid-year review of the activities of the Treasury Management function for the period 1 April to 30 September 2023, and performance against the Treasury Management Strategy Statement (TMSS) 2023-24 - as approved by the County Council on 22 February 2023. The report provides a review of borrowing and investment performance for the period set in the context of the general economic conditions prevailing so far during the year. It also reviews specific Treasury Management prudential indicators defined by the (CIPFA) Treasury Management Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code), and approved by Council in the TMSS.

9. **EXTERNAL AUDIT**

- 9.1 **Audit Completion Report - year ended 31 March 2022** (Pages 115 - 164)
The purpose of the document is to summarise the audit conclusions.

9.2 **20/21 Accounts**

To receive a verbal update.

10. **REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES** (Pages 165 - 172)

Statement of Accounts 2021-22

To seek approval of the Council's Statement of Accounts for the financial year ended 31 March 2022.

11. **URGENT BUSINESS**

12. **DATE OF NEXT MEETING**

The next meeting is scheduled for Wednesday, 31 January 2024 at 10.15 am.

PART II

It is expected that matters included in this part of the Agenda will be dealt with in private. Reports referred to are enclosed for members and officers only, coloured pink and marked "Not for Publication".

13. **EXCLUSION OF PRESS AND PUBLIC**

The Committee is invited to consider passing the following resolution:

- (a) That under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item on the Agenda as it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the 1972 Act, and
- (b) That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:-

Agenda Items

14

Paragraph 3 of Part 1 of Schedule 12A
Information relating to the financial or business affairs of any particular person (including the authority holding the information).

Disclosure could adversely affect the business reputation or confidence in the person/organisation, and could adversely affect commercial revenue.

14. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Update on Internal Audit work in relation to active group entities

To receive a verbal update.

IF YOU HAVE AN INTEREST AT THIS MEETING, PLEASE:

- Declare it and give details of its nature before the matter is discussed or as soon as it becomes apparent to you.
- Complete this sheet and pass it to the Democratic Services Officer.

Name:		Date of meeting:	
Meeting:			
Item to which your interest relates:			
Nature of Interest i.e. either disclosable pecuniary interest (as defined by Table 1 of Appendix B to the Code of Conduct, Other Registerable Interest or Non-Registerable Interest (as defined by Appendix B to Code of Conduct) (please give details):			
Are you intending to withdraw from the meeting?		Yes - <input type="checkbox"/>	No - <input type="checkbox"/>

Registering Interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in "The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012". You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

"Disclosable Pecuniary Interest" means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

"Partner" means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A 'sensitive interest' is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest, just that you have an interest.

Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.

5. Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in **Table 1**) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
- a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative or close associate; or
 - c. a financial interest or wellbeing of a body included under Other Registrable Interests as set out in **Table 2** you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied
9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well- being:
- a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise, you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it.

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. ‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners (alone or jointly with another) a right to occupy or to receive income.
Licenses	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer
Corporate tenancies	Any tenancy where (to the councillor’s knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/ civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body

	<p>where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <ul style="list-style-type: none"> i. the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or ii. if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/ her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.
--	--

* ‘director’ includes a member of the committee of management of an industrial and provident society.

* ‘securities’ means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You have a personal interest in any business of your authority where it relates to or is likely to affect:

- a) any body of which you are in general control or management and to which you are nominated or appointed by your authority
- b) any body
 - i. exercising functions of a public nature
 - ii. any body directed to charitable purposes or
 - iii. one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

Agenda Item 2

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

At a meeting of the Audit Committee held in the Council Chamber, County Hall, Morpeth on Wednesday, 27 September 2023 at 10.15 a.m.

PRESENT

S. Watson
(Chair, in the Chair and Co-opted Member)

COUNCILLORS

Cessford, T.
Dale, A.
Grimshaw, L.
Jackson, P.

Oliver, N.
Reid, J.
Wallace, A.

OFFICERS IN ATTENDANCE

Candlish, T.
Curry, A.
Gerrard, S.

Hall, S.
Hartwell, A.

Hodgson, A.
McDonald, K.

Todd, A.
Willis, J.

Group Assurance Manager
Head of Commissioning
Director of Law and Corporate
Governance (MO)
Group Assurance Manager
Senior Manager - Performance and
Systems Support
Corporate Fraud Manager
Head of Internal Audit and Risk
Management
Democratic Services Officer
Executive Director of
Transformation and Resources &
S151 Officer

ALSO IN ATTENDANCE

Dafter, J.
Earl, R.

Wearmouth, R.

Mazars (External Audit)
Advance Northumberland Chief
Operating Officer (observing)
Deputy Leader of the County
Council/Cabinet Member for
Corporate Services

1 member of the press was present.

19. APOLOGIES FOR ABSENCE

Ch.'s Initials.....

Page 1

Apologies for absence were received from Councillor D. Towns and Independent Member P. Topping.

20. MINUTES

RESOLVED that the minutes of the meeting of the Audit Committee held on 26 July 2023, as circulated, be confirmed as a true record and signed by the Chair.

21. DISCLOSURE OF MEMBERS' INTERESTS

Councillor Reid declared an interest in item 12 on the agenda (Group Audit Committee: Advance Northumberland Internal Audit Update) as Chair of Advance Northumberland.

22. MONITORING REPORT / ACTION LIST 2023-24

The Committee was asked to review and note its monitoring report/action list for the 2023/24 council year (a copy of which had been filed with the signed minutes).

Regarding Action 1, J. Willis, Executive Director for Resources and Transformation (S151) advised that an informal update on progress made was due to take place with Group Leaders. Following this a formal report would be drafted for the November meeting of Audit Committee.

Councillor Wallace questioned why members of the Audit Committee would have to wait until November to receive the update. He asked if Audit Committee could receive the update via email to stop any further delays. The November meeting could then discuss the update in public session. In response J. Willis commented that members had requested a formal report be produced for Audit Committee which was what she had been working towards. An email could be sent to members, but this was not asked for originally. She reassured members that progress was being made with the action plan and many of the recommendations put forward by the Challenge Board had already been completed. The BEST programme had incorporated some of the improvements identified and the relevant overview and scrutiny committee was due to receive a report on this soon. J. Willis stated that an all member briefing could also be arranged if deemed appropriate by councillors.

Councillor Grimshaw asked for the update on progress being made following the Caller Report include the work taking place with staff and councillors, particularly around ensuring female voices in the workplace were being heard. J. Willis confirmed that this would form part of the update.

The Deputy Leader explained that the progress against the action plan and recommendations of the Challenge Board would be reported in various places. Aspects would be reported to Audit, others to the Staff and Appointments Committee and others to the Corporate Services and Economic Growth Overview and Scrutiny Committee. However, Group Leaders would be given a briefing in the next few days on progress made which they would hopefully share and discuss within their individual groups.

Members agreed to receive a report regarding Action 1 at their November meeting of Audit Committee.

Regarding Action 2, Councillor Dale commented on recruitment and sickness issues across services. She stated that there needed to be a whole system approach. She believed the transformation programme needed to be measured against recruitment and sickness levels to ensure council services could continue to be delivered effectively and efficiently.

Councillor Jackson commented that he felt that the item should not be removed from the action list as Audit Committee needed to continue to examine the business case to ensure the funding put aside in the Council's budget was value for money.

J. Willis queried what additional information the Audit Committee would like to see as the Strategic Business Case had been scrutinised and approved by Cabinet. Also, the BEST update was to be considered by the relevant overview and scrutiny committee along with the annual workforce update. In response Councillor Jackson stated that the value for money aspect was what he wanted to see at a future meeting.

Councillor Oliver stated he would welcome an update report on the Strategic Transformation Programme Business Case.

Councillor Dale felt that a holistic report was needed which included issues on recruitment, value for money and delivery of services to ensure the business case was helping to transform the business of the Council.

Members agreed that Action 2 remain on the list but be reworded to 'receive an update and discuss further'.

Councillor Jackson commented that there were a couple of items that he had expected to see on the action list that had been omitted following the last meeting of Audit Committee. He asked for a detailed report on dismissals of statutory officers following the investigation into exit payments as discussed at the last meeting of Audit Committee be added to the action list. He stated that there was legislation regarding dismissals and felt it was important Audit Committee be advised of these regulations to understand how the Council had acted. His view was that there has been quite a lot of illegal activity in the past which needed scrutinised by Audit Committee. He also asked for Councillor Dale's request from the last meeting regarding more detail on exit interviews be placed on the action list.

The Monitoring Officer advised caution with some of the language being used. He stated that the term 'illegal' had not been used within the Review of Exit Payments report prepared for the last meeting of Audit Committee nor in his advice given.

Councillor Dale stated that the exit interviews could be included within a workforce report as it was a general area to investigate, not just when chief officers left the authority. She felt that with regard to exit payments the Council needed to look forward not backwards.

Councillor Grimshaw hoped that the Council had learnt lessons following the Caller report and was moving forward. She felt that Audit Committee could not keep looking at the past.

The Chair agreed that repeating past issues would not be beneficial. However, if members felt there were more questions that needed to be answered then they should have the opportunity to ask them.

Councillor Cessford questioned the role of Audit Committee if they could not look at past issues. He stated that the committee needed to audit what had happened in the past and without thorough answers they could not fulfil their role.

Councillor Oliver stated he believed there needed to be accountability. Lessons had been learnt but not all, particularly around where processes had failed. The Exit Payment Report considered at the last Audit Committee stated there had been over £1 million in unlawful payments. He stated that there were laws regarding the misuse of public funds. If someone had broken those laws, then he felt they were illegal. He suggested a short paper on whether the Council should make a police referral and a true distinction on the definition of unlawful and illegal. He spoke about other local authorities who had made referrals to the police for lesser issues. He felt that by referring the issue to the police they could investigate fully and get to the bottom of the issue. He thanked officers for the significant reports already produced on this issue which showed absolute transparency, but they had stopped short of accountability.

J. Willis reiterated the comments she had made at the last meeting of Audit Committee. She stated there was currently no evidence to suggest any illegal activity had taken place regarding the exit payments identified within her report brought to the last meeting. However, she stated that she was continuing to look into the issue. Furthermore, she updated members by advising them that Internal Audit was currently carrying out extra investigatory work and further legal advice was being sought. Once she had fully considered these additional matters, she would decide whether a referral to Northumbria Police was needed. She stated that if or when sufficient evidence came back to make a referral, she would, but it was not something that she would do lightly.

Councillor Dale commented on the errors within the Constitution during the time of the unlawful exit payments and stated that she was happy to share the files she had kept from that era of her concerns and evidence gathered.

Members agreed to add the following requests to the action list; report on dismissals of past statutory officers, further report on exit payments and a workforce report including information on exit interviews.

Action 3. It was noted that the next six-monthly report had been scheduled for the January 2024 meeting.

Action 4 to remain on the action list until the discussion between Councillor Grimshaw and J. Willis had taken place.

Action 5 could be removed from the list as the discussion between J. Willis and Councillor Dale had taken place.

RESOLVED that the monitoring report/action list and comments made be noted.

23. JOINT REPORT OF THE CABINET MEMBERS FOR INSPIRING YOUNG PEOPLE AND CARING FOR ADULTS

Review of External Inspection Reports – Adult Social Care and Children’s Services

Members were informed of the activity pertaining to Adults Social Care and Children's Services regarding external inspections and associated actions. The report covered the period from 1 January 2023 to 30 June 2023. (A copy of the report has been filed with the signed minutes).

A. Hartwell, Senior Manager, Performance and Systems Support and A. Curry, Senior Manager, Commissioning presented the overall positive report. Since the report was written there had been some updates. Of the Northumberland-based Adults Social Care providers there were no longer any judged to be inadequate. Inspections of children’s residential homes continued to be judged as good or better, with Kyloe secure unit judged as outstanding on all criteria when it was inspected in the autumn. Phoenix House children’s home was currently being inspected. The Adult Learning Service was still awaiting its inspection.

Councillor Dale asked if data could be produced which gave a breakdown in inspection judgements between academies and maintained schools. It was suggested this information be provided following the meeting and could be included in future reports.

Councillor Grimshaw commented on the recruitment and retention of staff in social care services and asked if this had resulted in any care homes having to close because of these challenges. A. Curry confirmed that since the COVID pandemic there were more adult care homes within the county, but the Council continued to try to invite local care providers to provide more specialist care in the area.

Councillor Cessford commented on ways in which the local authority worked with the management of adult social care settings where ratings had deteriorated. He asked if more information could be provided within these six-monthly reports which showed the adult social care providers ratings over a longer period of time. This would allow members to understand any patterns/trends identified and help evaluate the effectiveness of the assistance given by the local authority. It was confirmed extra detail could be added to future reports.

Councillor Oliver queried whether there were any capacity issues particularly when places had been restricted due to a poor CQC inspection status. A. Curry confirmed that where the Council had restricted new placements to a service officers would manage the situation while ensuring resources could be redirected to help rectifying problems.

Councillor Wallace talked about independent living and adult care provision and the choices available to residents. A. Curry stated that the southeast of the county had the most concentration of adult care provision and would expect those residents

would have more choice than those in more rural areas. Capacity levels were stable but domiciliary care remained the biggest area of risk/concern at the minute due to a shortage of care workers although there had been a slight improvement since April 2023. Most people wanted to stay in their homes for as long as possible, but the Council continued to try and improve the choice available for all.

RESOLVED that Audit Committee assesses the effectiveness of the actions the Council takes in response to external inspections and confirms an assurance that the Council is taking appropriate action in respect of any issues.

24. REPORT OF THE DEPUTY LEADER AND CABINET MEMBER FOR CORPORATE SERVICES

Corporate Fraud Annual Report

A. Hodgson, Corporate Fraud Manager presented a report which updated Audit Committee on Corporate Fraud activity undertaken during the period 1 April 2022 – 31 March 2023.

The team were responsible for achieving fraud prevention, detection, and identification values were detailed within the report. It was reported that during the period, 1,571 referrals were opened and 1,407 closed. With the exception of the Right to Buy (RTB) verification and SPD data matches, these were reactive referrals, where a report of a suspicion of fraud had been received. It was noted that Council Tax was by far the largest area of investigation, and a large proportion of these were from the proactive single person discount project (SPD) which launched in October 2022.

It was reported that due to the relaxing of Covid restrictions the Corporate Fraud Team had been able to return to face-to-face interviews and more criminal-focused investigations. This had resulted in the team being able to consider relevant sanctions and prosecutions.

The Chair thanked officers for the very clear and important report. He questioned if returning to face-to-face interviews had resulted in a measurable impact. It was confirmed that without in person interviews there could not be criminal sanctions. During the 2020/21 there had been zero sanctions compared to last year which saw six recorded. Along with sanctions it was noted that the monetary value yielded was also increasing year on year.

Councillor Dale welcomed the cross-cutting approach that was being taken by the Corporate Fraud Team to work with several internal departments and external bodies to help assess their fraud risk and implement measures to deter fraudsters and prevent fraud and error entering the system. She asked for her gratitude to be passed to staff. It was confirmed comments made would be passed to the team.

Councillor Grimshaw agreed with the comments made by Councillor Dale. She also asked if social media and other forms of communication could be used to highlight that the Corporate Fraud Team was and would continue to investigate suspected

fraud, corruption and theft and actively seek to prosecute and recover such sums of money.

J. Willis, Executive Director of Transformation and Resources (S151) confirmed that there was planned communications to highlight that people were being identified and sanctions made, particularly in relation to housing tenancy and right to buy fraud.

RESOLVED that Audit Committee notes and considers the update on work undertaken by the Corporate Fraud Team, as part of Audit Committee's role in maintaining governance oversight of counter-fraud activity as part of the overall framework of governance, risk management and control.

25. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Annual Report from Audit Committee to Council

K. McDonald, Head of Internal Audit and Risk Management presented a copy of the Annual Report from Audit Committee to Council for 2022/23. (A copy of the report has been filed with the signed minutes).

Members were advised that it was good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) that Audit Committee should prepare an annual report for presentation to Council. Therefore, a report had been prepared for Council detailing the main governance matters which had been considered by Audit Committee during 2022/23 and the outcomes of the self-assessment and current review of Audit Committee arrangements.

The Chair noted that a total of 48 reports had been considered by Audit Committee during the year which was a considerable feat especially considering some of the difficult subjects discussed at the meetings.

Councillor Dale welcomed the report and highlighted the importance of the Audit Committee. She highlighted the principal areas where the Audit Committees should exert influence, add value and challenge. She thanked the Chair and Head of Internal Audit and Risk Management for ensuring Audit Committee could maintain its independence and members could talk independently to officers.

RESOLVED that Audit Committee agree the Audit Committee Annual Report for 2022/23, for presentation to Council.

Councillor J. Reid withdrew from the meeting at this point and did not return.

26. EXTERNAL AUDIT REPORT

Audit Strategy Memorandum 2022/23

Members received the Audit Strategy Memorandum for Northumberland County Council for the year ending 31 March 2023. (A copy of the document has been filed with the signed minutes).

J. Dafter, External Auditor drew members' attention the main points of the report which sought to summarise Mazars audit approach, highlighted significant audit risks and areas of key judgements and provided the Audit committee with the details of the audit team.

In response to a query from Councillor Dale it was confirmed that the housing capital receipts only included those from the County Council not Group entities.

RESOLVED that the Audit Strategy Memorandum 2022/23 be received.

27. DATE OF NEXT MEETING

RESOLVED that the next meeting has be scheduled for Wednesday, 29 November 2023 at 10.15 am.

As this was the Chair's last meeting before stepping down, Members expressed their appreciation to S. Watson for his exemplary leadership and commitment to the work of Audit Committee over a number of years. Members wished him well for the future.

28. EXCLUSION OF PRESS AND PUBLIC

RESOLVED:

- (a) That under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items on the Agenda as it involves the likely disclosure of exempt information as defined in Part I of Schedule 12A of the 1972 Act, and
- (b) That the public interest in maintaining the exemption outweighs the public interest in disclosure for the following reasons:-

Agenda Item

12 Paragraph 3 of Part 1 of Schedule 12A

Information relating to the financial or business affairs of any particular person (including the authority holding the information).

Disclosure could adversely affect the business reputation or confidence in the person/organisation, and could adversely affect commercial revenue.

29. REPORT OF THE HEAD OF INTERNAL AUDIT AND RISK MANAGEMENT

Group Audit Committee: Advance Northumberland Internal Audit Update

K. McDonald, Head of Internal Audit and Risk Management presented the report which updated Group Audit Committee on progress against planned internal audit activity in relation to Advance Northumberland, including a summary of work finalised since the previous update to Group Audit Committee in July 2023. This report was presented to Advance Northumberland Audit Committee on 12 September 2023. (A copy of the report has been filed with the signed minutes, coloured pink and marked “Not for Publication”).

RESOLVED that Audit Committee notes the Advance Northumberland: Internal Audit Update Report provided in Appendix 1 and considers this report as part of its ongoing evaluation of the framework of governance, risk management and control within Northumberland County Council’s accounting group boundary.

CHAIR.....

DATE.....

This page is intentionally left blank

NORTHUMBERLAND COUNTY COUNCIL

AUDIT COMMITTEE

**MONITORING REPORT / ACTION LIST
2023-24**

D. Towns, Vice-Chair of Audit Committee
E-mail David.Towns@northumberland.gov.uk

Updated: 21 November 2023

**NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE ACTION LIST**

Ref	Date	Report	Action	To be actioned by	Outcome
1.	28.09.22	Caller Report	Regular updates on progress made to address issues raised from the Caller Report including monitoring progress on the Action Plan and the subsequent recommendations of the Challenge Board. For the item to be placed on the Work Programme.	Executive Director for Resources & Transformation (S151) to update when appropriate.	Next update scheduled for November 2023 report.
2.	28.09.22	Strategic Transformation Programme Business Case	27.9.23 Meeting – Action List Amended to: Receive an update and discuss further. Issues to include value for money, workforce, recruitment, and delivery of services.	Executive Director for Resources & Transformation (S151)	Report to be scheduled for January 2024 meeting
3.	26.07.23	International Lessons Learned Review	Report received by the Committee in July 23. Audit Committee will receive a further progress report in six months' time.	Executive Director for Resources & Transformation (S151).	Report scheduled for January 2024 meeting.
4.	26.07.23	International Lessons Learned Review	A query as to the cost of the investigation.	Executive Director for Resources & Transformation (S151).	J. Willis to meet with Cllr Grimshaw after the meeting to discuss.
5.	27.09.23	Member Request	Report on past dismissals of statutory officers.	Head of Internal Audit & Risk Management	
6.	27.09.23	Member Request	Further report on the legality of exit payments.	ED Transformation and Resources	

Updated: 21 November 2023

				(S151) and Director of Law & Governance (MO)	
7.	27.09.23	Member Request	Report on workforce issues including exit interviews.	Head of Workforce & OD	
8.	27.09.23	Review of External Inspection Reports – Adult Social Care and Children’s Services	A request for a breakdown in inspection judgements between academies and maintained schools.	A. Hartwell, Senior Manager - Performance and Systems Support	Email sent to Cllr Dale 3.10.23 with data.
9.	27.09.23	Review of External Inspection Reports – Adult Social Care and Children’s Services	Future reports to include a longer history of CQC gradings within adult social care settings.	A. Curry, Senior Manager – Commissioning	Officer to include in future reports.

WORK PROGRAMME

ISSUE
29 November 2023
Internal Audit, Risk Management & Corporate Fraud Key Outcomes from Internal Audit Assignments Strategic Audit Plan Monitoring Report Update on Internal Audit work in relation to active group entities – verbal update
Corporate Finance Treasury Management In-year Update Report Governance Review – Update on Continued Progress Statement of Accounts 21/22
External Audit Audit Completion Report – year ended 31 March 2022 verbal update on 2020-21 accounts
Reports previously deferred FPS Local Pension Board Annual Report Risk Management Update – verbal update
31 January 2024
Internal Audit, Risk Management & Corporate Fraud Approach to preparing the Strategic Audit Plan 2024/25 Update on Internal Audit work in relation to active group entities Risk Management Update
Corporate Finance Statement of Accounts 2023/24 - Timetable and Policies

Updated: 21 November 2023

Changes to the Code of Practice for 2023/24
 Northumberland County Council – Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2024
 Treasury Management Strategy Statement for the Financial Year 2024/25
 International Lessons Learned Review 6-month update
 Strategic Transformation Programme Business Case - update

External Audit

Audit Progress Report

Reports from Other Service Areas

Reports previously deferred

RIPA Policy

27 March 2024

Internal Audit, Risk Management & Corporate Fraud

Counter Fraud Update
 Risk Management Update Report
 Strategic Audit Plan 2024/25
 Annual Audit Committee Work Programme
 Annual Review of Audit Committee Effectiveness
 Update on Internal Audit work in relation to active group entities

Corporate Finance

Group Boundary Review 2023/24
 Annual Governance Statement 2023/24

External Audit

Audit Progress Report

Reports from Other Service Areas

Education & Safeguarding Performance – Review of External Inspection Reports
29 May 2024
Internal Audit, Risk Management & Corporate Fraud
Corporate Finance
External Audit
Reports from Other Service Areas

MEETING DATES TO BE CONFIRMED/SCHEDULED

- Regular updates on progress made to address issues raised from the Caller Report including monitoring the Action Plan.
- Examine the Strategic Transformation Programme Business Case
- Monitor any impacts from recent changes within Adult Social Care and wider NHS changes where/when appropriate.



Northumberland County Council

Audit Committee

29th November 2023

Governance Review – Update on Continued Progress

Report of: Stephen Gerrard, Director of Law and Governance

Responsible Officer(s): Stephen Gerrard, Director of Law and Governance

1. Link to Key Priorities of the Corporate Plan

Good governance underpins effective delivery of all three priorities outlined in the Corporate Plan 2023-26: Achieving Value for Money; Tackling Inequalities and Driving Economic Growth.

2. Purpose of report

The report summaries progress on delivering the Council's action plan following the independent review of governance undertaken in 2022.

3. Recommendations

3.1 Audit Committee Members are invited to:

- Consider and comment on progress on delivering the Council's action plan following the independent review of governance undertaken in 2022.

4. Forward plan date and reason for urgency if applicable

Not applicable.

5. Background

- 5.1 At its final meeting (4th July 2023) Members Oversight Group (MOG) received a briefing paper outlining how ongoing activities linked to the Independent Review of Governance (2022) will be taken forward and monitored.
- 5.2 That briefing set out how most activities will be integrated into the BEST work programme with others being overseen by Council Committees, e.g. Constitution Working Group.
- 5.3 Group Leaders receive a bi-monthly overview of these actions and activities through their regular meetings. Group Leaders received an update at their meeting on 29th September and again, at their meeting of 24th November. This update is set out in the table on appendix 1 of this report.
- 5.4 It is proposed the Economic Growth and Corporate Services Overview and Scrutiny Committee will provide cross-party oversight of BEST, incorporating the governance Review activities referred to above. With the Chair’s agreement, Officers will do this through six-monthly progress reports.

Options open to the Council and reasons for the recommendations

- 5.5 Not applicable.

6. Implications

Policy	Good governance underpins effective delivery of all three priorities outlined in the Corporate Plan 2023-26: Achieving Value for Money; Tackling Inequalities and Driving Economic Growth
Finance and value for money	There are no financial implications arising directly from this report.
Legal	There are no legal implications arising directly from this report.
Procurement	There are no specific Procurement implications within this report.
Human resources	There are no specific HR implications within this report.
Property	There are no specific Property implications within this report.
The Equalities Act: is a full impact assessment required and attached?	There are no specific Equalities implications within this report.. No EIA is required for this report as no change of services is proposed.
Risk assessment	There are no specific risk implications within this report.

Crime and disorder	There are no specific crime implications within this report.
Customer considerations	There are no specific customer implications within this report.
Carbon reduction	There are no specific carbon reduction implications within this report.
Health and wellbeing	There are no specific health and wellbeing implications within this report.
Wards	All Wards

7. Background papers

N/A

8. Links to other key reports already published

N/A

9. Author and Contact Details

Philip Hunter, Director of Corporate Strategy and Communications
Email: Philip.hunter@northumberland.gov.uk

This page is intentionally left blank

Appendix 1 Summary of Progress on Governance Actions

Governance Review Recommendation *(including follow-up actions where relevant)	Proposed BEST Workstream	Update (24 th November Group Leaders)	BEST (or other) Senior Responsible Officer (SRO)
<p>(10.1) Establish what it means to be a Best Value Unitary Local Authority in its geographic area delivering appropriate services and community leadership to every resident and entity in its area. To do this, it needs new seasoned local government professional leadership at the top of the organisation now to help it do this.</p> <p>(10.2.8) Establish an officer structure which is designed to deliver against earlier recommendations and seek to appoint permanent employees to fulfil those objectives.</p> <p>(10.2.9) Establish a scheme of performance appraisal, starting with the Chief Executive at Member level, in line with the JNC provisions, which cascades throughout the organisation so that every employee is clear about their targets and how they fit into plan delivery. As the Chief Executive is accountable to the Council as a whole for their performance, publish the targets and how they have been achieved as an annual statement to Council.</p> <p>Follow-up actions: Keep the post of interim MO under regular review with the aim of a permanent appointment at the earliest opportunity.</p>	Best Value for Money	<p>Officer structure and HR elements established. The final few tier-3-4 appointments have been made.</p> <p>Chief Executive's appraisal framework agreed at StAC in February 2023 and CX's probation period successfully completed.</p> <p>Work on the 'golden threading' from Corporate Plan to Performance Appraisal is ongoing. Currently, the focus of this is on Service Planning, with Directors and Heads of Service developing these based on a new approach and template. This forms part of the Performance and Accountability Framework under the Best Value for Money Workstream.</p> <p>The Council's new MO is now in post and establishing positive and productive working relationships with all Group Leaders as well as the wider Membership. The MO's appointment was confirmed as a permanent appointment by Full Council at its meeting of 1st November 2023.</p>	<p>Audrey Kingham (Best Value for Money)</p> <p>Chief Executive</p>
<p>(10.1) Establish what it means to be a Best Value Unitary Local Authority in its geographic area delivering appropriate services and community leadership to every resident and entity in its area.</p>	Best Value for Money	<p>Officers have undertaken a Best Value 'baselining' exercise. This is based on the latest Best Value guidance. Through BEST, Officers are now developing a programme of Best Value reviews which will incorporate Value for Money reviews.</p>	Audrey Kingham
<p>10.3 With the help of the Local Government Association, establish a board with appropriate experience at both top officer and elected Member level in unitary authorities to work with NCC, on a cross-</p>	Best Value for Money	<p>This work work was completed with a final report to Council in June 2023.</p> <p>A planning meeting between Officers and the LGA took</p>	Audrey Kingham

<p>party basis, as it addresses these recommendations.</p> <p>Follow-up actions: Receive an LGA-managed, focussed, Corporate Peer Challenge before the end of the municipal year.</p>		<p>place on w/c 18th September, to agree timings and detailed next steps for the focused, Corporate Peer Challenge.</p> <p>The Corporate Peer Challenge has been confirmed to take place from 15th – 18th January 2024. Planning for this with the LGA is at an advanced stage.</p>	
<p>(10.2.1) Redraft its Corporate Plan in terms of the Administration’s Goals and Objectives, moderated by the capacity of the organisation and the legislative framework</p> <p>Follow-up actions: Ensure that all Corporate Plan actions have clear success measures/targets to enable accountability to be monitored and that the Corporate Plan drives the Council and develops into a linked plan for the whole county.</p>	<p>Best Value for Money</p>	<p>The Corporate Plan was adopted by Full Council in May 2023.</p> <p>Since then, Quarter 4 2022/23 Corporate Plan Performance and Quarters 1 for 2023/24 have been reported.</p> <p>Officers are taking forward work to refine the Corporate Plan measures. This work will include Members.</p>	<p>Audrey Kingham</p>
<p>(10.2.2) Ensure the values by which it seeks to operate are lived within the organisation.</p> <p>Follow-up actions: Develop a leadership development programme for the senior team to enable the team to be fit for purpose to meet the challenges ahead, including the need to speak truth to power and to support the whole Council with good member and officer engagement.</p> <p>Follow-up actions: Ensure that the whole Council are supported to be a part of the improvement journey.</p> <p>Follow-up actions: Maintain focus on a clearly articulated member development programme to address the required improvements in member behaviour, as well as enabling members to be more effective in their roles, including through stronger and influential scrutiny.</p>	<p>Best Talent & Opportunities</p> <p>Best Enabling Workstream – Comms and Engagement</p>	<p>Work has started with a service review being carried out on coaching and mentoring offer and leadership development through ‘Living Leader,’ alongside other initiatives.</p> <p>This work is advanced – and will be reviewed and strengthened through Member-led forums.</p> <p>Following a Member-survey on ‘female voices’, two dates for training has been arranged for all Members.</p>	<p>Simon Neilson (Talent & Opportunities)</p> <p>Jan Willis (BEST Executive Sponsor and Living Leader)</p>
<p>(10.2.3) Use the data it holds, collects, or needs to collect to define priorities and monitor and improve performance in a systematic way and publish the outcomes.</p>	<p>Best Value for Money</p>	<p>The Data & BI Strategy is being continually developed and driven within this work. The Data Leaders group is well established and the Data BI Strategy framework is a key deliverable for this group of officers.</p>	<p>Audrey Kingham</p>

		The Council is preparing to establish and launch its 'data academy' in December 2023, helping to cultivate an engaged and skilled 'data community' across the organisation.	
10.2.4 Review and redraft the Constitution to ensure that decisions that should be taken at Member level, by Cabinet, Committee, Individual Member or Full Council are clearly identified and that the recording and scrutiny of officer decisions, both individually and in aggregate, is unambiguous.	None proposed	This action is complete. Further updates would be taken forward by the Council's Constitution Working Group. The Monitoring Officer will review this work as part of 'business as usual'.	Monitoring Officer
10.2.5 Review and redraft the codes of conduct which regulate Member and officer behaviours and working relationships with each other, to make it clear what the expectations of each party should be and how robust challenge can be handled, to ensure proper accountability can be achieved. This needs to recognise the legitimate rights of Councillors for information to enable them to do their role and for Councillors to recognise that policy is the preserve of the Council unless delegated and saying no is a legitimate outcome.	None proposed	Codes of conduct have been reviewed, redrafted and agreed. The Monitoring Officer will review this work as part of 'business as usual'.	Monitoring Officer
10.2.6 Establish a rationale for the establishment or continuation of any company established under the provisions of the Localism Act 2011. 10.2.7 Establish a specific governance framework by which, for those companies wholly or partly owned by NCC, their directors are appointed, report on performance are presented to a Cabinet Sub-Committee, conflicts of interest are dealt with and risk and how shareholder agreements are ratified, by both the company and NCC. Follow-up actions: Ask Local Partnerships to continue to provide you with advice on the robustness of the governance changes around Advance and to undertake a regular review to protect the council's interests.	None proposed	These recommendations have been delivered in full. The Council's Shareholder Committee will in future consider inviting Local Partnerships (or another provider) to review how the new company governance arrangements are working in a year's time.	Jan Willis

This page is intentionally left blank



Northumberland County Council

Audit Committee

Wednesday, 29 November 2023

FPS Local Pension Board 22/23 Annual Report

Report of Councillor(s) NA

Responsible Officer(s): Jan Willis, Executive Director of Transformation and Resources

1. Link to Key Priorities of the Corporate Plan

This report is relevant to ensuring the best value priority in the Council's Corporate Plan 2021-2024.

2. Purpose of report

To provide the 2022/23 Annual Report of the FPS Local Pension Board to the Audit Committee.

3. Recommendations

Audit Committee is asked to receive the Annual Report of the FPS Local Pension Board for 2022/23, attached as **Appendix 1** to this report and provide comment to the Board and NCC's FPS Scheme Manager, if appropriate.

3.1

4. Forward plan date and reason for urgency if applicable

Not applicable, this report does not require a key decision

5. Background

NCC is administering authority for the FPS

NCC participates as an employer in a number of public sector pension schemes. Following the merger of Northumberland County Council Pension Fund into Tyne and

Wear Pension Fund on 1 April 2020, NCC now administers only one scheme, namely the FPS.

FPS governance arrangements within NCC

NCC is a fire and rescue authority (“**FRA**”) under the Fire and Rescue Services Act 2004. Each FRA is a **Scheme Manager** as defined by the Public Service Pensions Act 2013 (“**the PSP Act 2013**”). The PSP Act 2013 sets out governance arrangements applicable from 2015, for all public service schemes. These include the requirement for each scheme to have a Scheme Manager and a Local Pension Board (“**LPB**”) in place.

The term Scheme Manager, as defined in the PSP Act 2013, is a function not a person. The Firefighters’ Pension Scheme Governance Regulations 2015 provide that the Scheme Manager is the appropriate FRA. Therefore, it is NCC in its capacity as FRA that has the Scheme Manager role for the FPS for the Northumberland Fire and Rescue Service.

NCC has delegated to the Section 151 Officer the exercise of the Scheme Manager function for the FPS in consultation with the Chief Fire Officer.

The Scheme Manager is responsible for the governance and administration of the FPS and has a decision making role. In contrast, the LPB is responsible for **assisting** the Scheme Manager in securing compliance with legislation and regulations, and ensuring the efficient and effective governance and administration of the FPS, and has an oversight (or scrutiny) role.

The requirement to report to Audit Committee

As required by the FPS Governance Regulations, the NCC FPS LPB has its own Terms of Reference. The Terms of Reference, approved by full Council on 1 April 2015 and incorporated in the NCC Constitution, are attached as **Appendix 2** to this report.

Within Section 3 of the Board’s Terms of Reference (“Role of the FPS Local Pension Board”) it says:

“The Board must provide minutes of each meeting to the Chief Financial Officer and may make reports and recommendations to the Chief Financial Officer in so far as they relate to the role of the FPS Local Pension Board.

*In addition, an annual report of the FPS Local Pension Board (as prepared by the Chair of the FPS Local Pension Board), must be provided to the Chief Financial Officer, the Monitoring Officer and the **Audit Committee**.*

*In the exceptional circumstances that the Board considers that a matter brought to the attention of the Chief Financial Officer has not been acted upon or resolved to its satisfaction, the FPS Local Pension Board will provide a report to the Monitoring Officer and **Head of Audit** who will provide a separate view on the matter, taking expert advice as considered appropriate.”*

Since inception, the NCC FPS LPB has worked well with the Scheme Manager and has not brought any matter to the attention of the Monitoring Officer and Head of Audit. Nevertheless, there is a requirement to provide the LPB’s annual report to Audit Committee each year. This provides a summary of the work of the LPB over the previous year and gives Audit Committee the opportunity to comment.

The 2022/23 Annual Report of the FPS LPB

The 2022/23 Annual Report of the FPS LPB is attached as **Appendix 1**.

The LPB Annual Report was also taken to the 31st October meeting of the LPB, where the Chair brought the following to the LPB’s attention:

- The format of the LPB Annual Report remains unchanged since the LPB was established.
- In addition to the standard quarterly and annual business, the LPB considered the topical issues of the Matthews second options exercise and progress on implementing remedy for age discrimination.
- There were no changes in councillor membership of the LPB during the year.
- The NFRS’s FPS membership numbers remained fairly static.

6. Options open to the Council and reasons for the recommendations

Not applicable

7. Implications

Policy	The FPS LPB is part of NCC’s governance arrangements.
Finance and value for money	The FPS LPB assists the Scheme Manager in securing compliance with legislation and regulations, and ensuring the efficient and effective governance and administration of the FPS. This reduces the potential for financial loss through errors, breaches of the law and maladministration.
Legal	There is a requirement in the LPB’s Terms of Reference (section 3) to provide its annual report to the Audit Committee.
Procurement	None
Human resources	None
Property	None
The Equalities Act: is a full impact assessment required and attached?	Not required Not applicable
Risk assessment	None
Crime and disorder	None

Customer considerations	None
Carbon reduction	None
Health and wellbeing	None
Wards	(All Wards);

8. Background papers

Report to Council 1 April 2015
FPS Governance Regulations and guidance

9. Links to other key reports already published

Not applicable

10. Author and Contact Details

Lewis Nicklen, Lead HR Adviser
Email: lewis.nicklen@northumberland.gov.uk

**NORTHUMBERLAND COUNTY COUNCIL
AUDIT COMMITTEE**

<p>ANNUAL REPORT OF THE FIREFIGHTERS' PENSION SCHEME LOCAL PENSION BOARD 2022-2023</p>

1. Introduction

This is the annual report of the Northumberland County Council Firefighters' Pension Scheme (**FPS**) Local Pension Board ("**the Board**"), which was constituted in 2015 as part of changes introduced by the Public Service Pensions Act 2013. It is the intent of the Board to use the annual report to inform the **Scheme Manager** (i.e. NCC's S151 Officer in consultation with the Chief Fire Officer) of NCC's data on FPS membership, statement of accounts, and issues progressed through the Internal Disputes Resolution Procedure (**IDRP**) and Fire Disputes Panel.

2. Membership and attendance

During 2022/23 the Board had the following members:

Chair	Stephen Richards	(FPS Member Representative)
Member	Guy Tiffin	(FPS Member Representative) <i>2015 Until September 2022</i>
Member	Amanda Cregin	(FPS Member Representative) <i>October 2022 until April 2023</i>
Member	Michael McKendrick	(FPS Member Representative)
Member	Councillor John Beynon	(Employer Representative) <i>From November 2021</i>
Member	Councillor Malcolm Robinson	(Employer Representative) <i>From November 2021</i>

Attendance	15 July 2022	24 January 2023	25 April 2023	18 July 2023
Stephen Richards	✓	✓	✓	✓
Guy Tiffin	x	Resigned	Resigned	Resigned
Amanda Cregin	Appointed October 22	✓	✓	Resigned
Michael McKendrick		Appointed May 23		✓
Councillor John Beynon	x	x	x	x
Councillor Malcolm Robinson	x	✓	✓	✓

For quorum, at least one member representative and at least one employer representative must be present.

NCC transferred its FPS administration service to West Yorkshire Pension Fund (WYPF) in March 2018. Helen Scargill, Client Relationship Manager at WYPF, or a substitute, has attended Board meetings in 2022/23 to provide information.

3. Purpose

The purpose of the Board is set out in the Board's Terms of Reference and described at the initial Board meeting as follows:

- The Board has a monitoring role in the IDRPs and the Fire Disputes Panel processes. It aims to identify repeat patterns of complaints taken through these processes.
- The Board receives reports on membership of the Scheme.
- The Board receives reports on the statement of accounts to monitor the level of the Annually Managed Expenditure grant.
- The Board monitors, via LGA bulletins and officer reports, changes to central Government policy and intent with regard to pensions.

The Board tracks these issues over time and reports to the Scheme Manager, annually. The Board Chair holds a meeting, annually, with the Scheme Manager or his/her appointed deputy.

The Board recognises that it is not responsible for the day-to-day management of NCC's FPS administration nor does it perform the role of arbiter in disputes. Its role is to **assist** the Scheme Manager and it is **not a decision making** body.

4. Progress

4.1 The following matters have been discussed by the Board in 2022/23:

- Updates on the government's plans to remove age discrimination (known as **McCloud/Sargeant**) from the FPS and the implications for the Scheme Manager and administrator. **Prospective** discrimination was removed by legislation introduced in the year for future benefits built up from 1 April 2022. Age discrimination will be removed **retrospectively** for benefits built up during the period of discrimination from 1 April 2015 to 31 March 2022, with legislation expected in October 2023.
- Government proposals to remove discrimination against part-time firefighters (known as the **Matthews second options exercise**) and the implications for the Scheme Manager and administrator.
- The Firefighters' Pension Scheme Advisory Board's self-assessment survey to assess FRAs' readiness for the challenges posed by the McCloud/Sargeant work and the Matthews second options exercise.
- Updates on government guidance and proposed implementation of Pensions dashboards and the potential impact and pre-work needed to be done by the FRA in conjunction with WYPF.
- The record of FPS breaches and errors.
- Monthly updates from the FPS Advisory Board and the LGA, ensuring the LGA "actions for fire and rescue authorities" have been carried out by the Scheme Manager.
- NCC's monthly client reports provided by WYPF and minutes of the WYPF quarterly meetings held for its FPS clients.
- Monthly monitoring of Key Performance Indicators provided by WYPF.

- The timely issue of FPS Annual Benefit Statements and Pensions Savings Statements.
- Reports on NCC's membership of the FPS.

4.2 FPS administration service

From 1 March 2018 the administration of the FPS has been undertaken for NCC through a shared service arrangement with WYPF. The Board provided oversight of the service provided by WYPF during 2022/23.

The shared service with WYPF has provided operational resilience to NCC. NCC's FPS members now have access to their pension records via an online portal. WYPF has been proactive in improving communication with members.

In accordance with best practice WYPF has a Data Improvement Plan in place to continually assess and improve data scores, within the FPS membership data.

WYPF provides FPS administration services, on a shared costs basis, to (now) approximately half the Fire and Rescue Authorities in England. WYPF had 10 clients when it took on NCC in 2018, and now has 23 clients (in September 2023, when this report was finalised).

WYPF has kept the Board informed as it has planned to and increased resources to ensure service delivery to existing clients is unaffected by its increasing client base.

WYPF is a well-respected FPS industry expert, with a presence on technical and communication groups, and links to the FPS Advisory Board.

4.3 Most recent data scores for NCC's FPS membership data

	Common data	Scheme specific
		September 2023
FPS 1992 Scheme	99.42%	98.26%
FPS 2006 Scheme	95.24%	100%
FPS 2015 Scheme	99.15%	91.08%
		November 2022
FPS 1992 Scheme	99.42%	98.26%
FPS 2006 Scheme	93.4%	97.17%
FPS 2015 Scheme	99.12%	92.05%
		November 2021
FPS 1992 Scheme	98.99%	97.76%
FPS 2006 Scheme	94.44%	99.07%
FPS 2015 Scheme	98.92%	94.88%

5. Training

In prior years, Board members have attended comprehensive training on the FPS benefits and the role of the Board in FPS governance provided by the LGA.

The Board has access to advice from LGA and LGA's library of guides and the Pensions Regulator's toolkit training. The LGA's monthly bulletins are provided to Board members.

All board members, with the exception of councillors, attended an LGA training day in 2023, which gave a background to FPS and in-depth training and updates on ongoing matters in pensions.

6. Risks

An area of particular interest to the Board is the awareness of any risk factors which may impact upon the FPS.

The Board reviewed NCC's FPS risk register in 2019/20 and considers risk, and changes to risk, at each meeting.

7. NCC's FPS information in the year to 31 March 2023

7.1 Extract from NCC's draft Statement of Accounts 2022/23

2021-22	Fund Account	2022-23
£000		£000
	Contributions:	
1,821	From employer - normal	2,025
-	- From employer - ill health	-
809	From members	902
2,630		2,927
	Transfers in:	
484	Individual transfers from other schemes	1,140
3,114		4,067
	Benefits:	
(5,878)	Pensions	(6,143)
(962)	Commutations and lump sum retirement benefits	(584)
(53)	Other eligible expenditure - scheme pays	(101)
(6,893)		(6,828)
3,779	Net amount payable before top-up grant	2,761
(3,779)	Top-up grant payable by the Government	(2,761)
	- Net Amount Payable for the year	-
31 March 2022	Net Assets Statement	31 March 2023
£000		£000
	Current assets:	
121	Top-up grant receivable from the Government	
	Amount receivable from the General Fund	924
	Current liabilities:	
	Top up grant owed to the Government	(924)
(121)	Amount payable to the General Fund	
-		-

7.2 Membership of FPS in NCC as at 31 March 2023

Scheme	Actives	Deferreds	Pensioners	Beneficiaries	Leave options pending
As at 31 March 2023					
1992 Scheme	3	17	286	51	0
2006 Scheme	1	126	14	4	0
2006/RDS Scheme	2	20	36	1	0
2015 Scheme	298	31	8	0	5
2015/RDS Scheme	7	93	0	0	0
As at 31 March 2022					
1992 Scheme	6	18	283	46	0
2006 Scheme	6	84	12	4	0
2006/RDS Scheme	3	13	33	1	0
2015 Scheme	260	113	3	0	7
2015/RDS Scheme	4	3	2	0	0
TOTAL	279	231	333	51	7
As at 31 March 2021					
1992 Scheme	12	18	279	50	0
2006 Scheme	7	87	8	4	0
2006/RDS Scheme	6	13	31	1	0
2015 Scheme	213	100	1	0	5
2015/RDS Scheme	3	3	2	0	0
TOTAL	241	221	321	55	5
As at 31 March 2020					
1992 Scheme	21	19	278	53	0
2006 Scheme	7	87	8	4	1
2006/RDS Scheme	8	13	30	1	0
2015 Scheme	231	78	1	0	0
2015/RDS Scheme	5	3	0	0	0
TOTAL	272	200	317	58	1
As at 31 March 2019					
1992 Scheme	32	22	269	52	0
2006 Scheme	10	86	6	4	4
2006/RDS Scheme	11	15	28	1	0
2015 Scheme	197	51	0	0	2
2015/RDS Scheme	3	3	0	0	0
TOTAL	253	177	303	57	6
As at 31 March 2018					
1992 Scheme	48	21	260	55	0
2006 Scheme	9	117	6	4	4
2015 Scheme	174	57	0	0	0

TOTAL	231	195	266	59	4
-------	-----	-----	-----	----	---

Pensions into payment

	Age retirements	Ill-health retirements
During 2022/23	4	0
During 2021/22	13	0
During 2020/21	14	2
During 2019/20	10	0
During 2018/19	13	0
During 2017/18	9	0

Optants out

There were 13 opt outs during 2022/23.

7.3 Breaches of the law recorded in the year to 31 March 2023

The Board did not consider any breaches of the law in 2022/23.

During 2022/23, WYPF provided monthly reporting on the FPS administration processes undertaken on NCC's behalf against the legal timeframes: this showed no breaches of the law had occurred.

7.4 Appeals

There was one case settled financially in January 2023 which was initially an IDRP complaint regarding access to the Modified pensions scheme.

8. General

The Board aims to add value by assisting the Scheme Manager through scrutinising the FPS risk register and monitoring the breaches log. The role of the Board has developed and continues to do so as the FPS Advisory Board and the Pensions Regulator both develop their views and guidance.

Finally, I would like to thank Clare Gorman for being instrumental in setting up the FPS Local Pension Board and for many years of support. Lewis Nicklen for providing technical support in the role as Board Secretary and Nichola Turnbull for administrative support to the Board.



S. Richards
Chair of the FPS Local Pension Board

Reported to NCC Audit Committee on:

NORTHUMBERLAND COUNTY COUNCIL
AS FIRE AND RESCUE AUTHORITY AND SCHEME MANAGER OF THE
FIREFIGHTERS' PENSION SCHEME FOR NORTHUMBERLAND FIRE AND
RESCUE SERVICE

FPS LOCAL PENSION BOARD TERMS OF REFERENCE

1) Introduction

This sets out the Terms of Reference for the FPS Local Pension Board of the Northumberland Fire and Rescue Service, part of Northumberland County Council. The FPS Local Pension Board is established by Northumberland County Council as Fire and Rescue Authority and a Scheme Manager as defined under Section 4 of the Public Service Pensions Act 2013 ("the Act") under the powers of Section 5 of the Act and regulation 4A of the Firefighters' Pension Scheme (England) Regulations 2014 ("the Regulations"). As such, the Constitution of Northumberland County Council does not apply to this FPS Local Pension Board unless expressly referred to within and permitted by these Terms of Reference.

2) Powers of the FPS Local Pension Board

The FPS Local Pension Board will exercise all its powers and duties in accordance with the law and these Terms of Reference.

3) Role of the FPS Local Pension Board

The role of the FPS Local Pension Board is defined by regulation 4A (1) of the Regulations as to assist Northumberland County Council as Scheme Manager:

- to secure compliance with the Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the FPS by the Pensions Regulator; and
- to ensure the effective and efficient governance and administration of the FPS.

The Council considers this to mean that the FPS Local Pension Board is providing oversight of these matters and, accordingly, the FPS Local Pension Board is not a decision making body in relation to the management or administration of the FPS but

merely makes recommendations to assist in such management. The Council's management powers and responsibilities which have been, and may be, delegated by the Council to committees, sub-committees and officers of the Council, remain solely the powers and responsibilities of those committees, sub-committees and officers.

The FPS Local Pension Board will ensure that in performing its role it:

- is done effectively and efficiently;
- complies with relevant legislation; and
- is done by having due regard and in the spirit of the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator and any other relevant statutory or non-statutory guidance.

The Board must provide minutes of each meeting to the Chief Financial Officer and may make reports and recommendations to the Chief Financial Officer in so far as they relate to the role of the FPS Local Pension Board.

In addition, an annual report of the FPS Local Pension Board (as prepared by the Chair of the FPS Local Pension Board), must be provided to the Chief Financial Officer, the Monitoring Officer and the Audit Committee.

In the exceptional circumstances that the Board considers that a matter brought to the attention of the Chief Financial Officer has not been acted upon or resolved to its satisfaction, the FPS Local Pension Board will provide a report to the Monitoring Officer and Head of Audit who will provide a separate view on the matter, taking expert advice as considered appropriate.

4) Composition of the FPS Local Pension Board

The Appointments Panel will oversee the appointment process and decide which individuals should be appointed to the FPS Local Pension Board. It will define and keep under review any further eligibility and/or selection criteria that will apply to FPS Local Pension Board members having due regard to the FPS Regulations and any other relevant Code of Practice and guidance (statutory or otherwise).

The FPS Local Pension Board Appointments Panel will consist of:

- the Portfolio Holder for Corporate Resources;
- the Chairman of the Corporate Services and Economic Growth OSC;
- the Monitoring Officer or Deputy Monitoring Officer ; and
- the S151 Officer or Deputy S151 Officer.

a) Membership

The FPS Local Pension Board shall consist of 4 or 5 members and be constituted as follows:

- i) two Employer Representatives;
- ii) two Scheme Member Representatives; and
- iii) one Independent Member (optional as outlined in clause 4f) below).

Substitutes for the Employer or Scheme Member Representatives are not permitted (but see below in relation to temporary appointments). The Independent Member, if appointed, may have an Alternate who will carry out FPS Local Pension Board business if the Independent Member is not available to do so.

b) Eligibility and selection criteria

- i) Two Employer Representatives who are elected members of Northumberland County Council as agreed by the Council, having regard to the selection criteria set out by the Appointments Panel and preferably members of the Corporate Services and Economic Growth OSC, other than the Chairman of the Corporate Services and Economic Growth OSC or members of the Disputes Panel (Fire and Rescue Service)

In both cases the Employer Representatives must have the capacity to represent the employer.

- ii) Two Scheme Member Representatives as follows:

- A FPS union representative, sourced from a union that represents the FPS members in NCC. If more than one union puts forward a representative, preference will be given to the union with the biggest share of NCC FPS union membership (“Representative 3”); and
- A FPS active or pensioner member, sourced by seeking interest from members via a direct request (“Representative 4”).

In both cases the Member Representatives must have the capacity to represent Pension Fund members.

In accordance with the FPS Regulations, no officer or elected member of Northumberland County Council who is responsible for the discharge of any function of the Scheme Manager under the FPS Regulations may be a member of the FPS Local Pension Board.

c) Appointment of the Active or Pensioner Scheme Member Representative (Representative 4)

The process for selecting the Active or Pensioner Scheme Member Representative is as set out below.

Step 1 – All NCC FPS active and pensioner members will be invited via a Newsletter from the administrator or other similar means of communication to apply for the position of Scheme Member Representative.

Step 2 – The Appointments Panel will determine who should be appointed from the received applications based on whatever process they consider appropriate, which may include, but is not restricted to, a formal interview. The Appointments Panel can reject any application made including where:

- it considers the individual does not appropriately meet its eligibility and/or selection criteria, including, in particular, that the individual does not have the capacity to represent Pension Scheme members
- the number of applications merits a short-list being created for interview purposes and where that is the case, the information provided on the application will be assessed by the Appointments Panel against the selection criteria to determine who should be short-listed.

Step 3 – Where Steps 1 and 2 fail, a second representative will be sought from the NCC FPS unions. If more than one union puts forward a representative, preference will be given to the union with the largest share of NCC FPS union membership, excluding the union to which Representative 3 belongs.

Step 4 – Where Steps 1, 2 and 3 all fail the Appointments Panel will take any other action it considers appropriate to appoint a suitable Scheme Member Representative.

In all cases, when appointments to the Board have been made, Northumberland County Council shall publish the names of the Board members and the process followed in their appointment.

d) Term of Office

- i) The terms of office for representatives will be as follows:
- for the Employer Representatives, as per their membership of the Corporate Services and Economic Growth OSC;
 - Representative 3 (as defined above) will be appointed for an initial period of six years from the date of establishment of the FPS Local Pension Board or the date of his/her appointment if later;

- Representative 4 (as defined above) will be appointed for an initial period of seven years from the date of establishment of the FPS Local Pension Board or the date of his/her appointment if later. This period may be extended by up to four years if jointly agreed by the Appointments Panel.

An appointment will automatically cease:

- where an employer or scheme member representative can no longer demonstrate his/her capacity to represent the employers or scheme members, as appropriate, including not having the capacity to attend and prepare for meetings or to participate in required training; or
 - where a FPS Local Pension Board member has a conflict of interest which cannot be managed in accordance with Clause 7 of these terms of reference; or
 - where a FPS Local Pension Board member becomes responsible for the discharge of any function of the Scheme Manager under the FPS Regulations
 - for the Scheme Employer Representatives, if he/she ceases to be an elected member of Northumberland County Council or a member of the Corporate Services and Economic Growth OSC; or
 - for the Member Representatives who are representatives by virtue of their union membership (i.e. Representative 3 and Representative 4 where Steps 1 and 2 above have failed), if their union membership ceases.
- ii) Any Independent Member's term of office will be determined by separate contract terms agreed by the Appointments Panel, but will not be longer than a period of 10 years and will be subject to ongoing review as defined in those terms.

Any FPS Local Pension Board member may be re-appointed for further terms following an appointment process.

Other than ceasing to be eligible (as set out above) an FPS Local Pension Board member, including any independent member, may only be removed from office during the term of appointment by the unanimous agreement of the Appointments Panel. Such reasons may include non-compliance with these Terms of Reference including inappropriate conduct, conflicts of interest, avoidance of training or low meeting attendance.

If an FPS Local Pension Board member wishes to resign his/her position he/she must give 3 months' notice and advise the Appointments Panel in writing.

Term dates may not be exact due to the period of the appointment process. The actual date of appointment may therefore be extended for this purpose or other exceptional circumstances by up to three months, or by a further reasonable period with the agreement of the Appointments Panel.

Where a member of the FPS Local Pension Board ceases to be such a member, the Appointments Panel may appoint, using whatever means it considers appropriate and for a period of up to but no longer than 12 months, an individual to carry out that representative's role in a temporary capacity until a permanent appointment can be made. In doing so, the Appointments Panel will have regard to the eligibility and selection criteria for that role.

e) Quorum

All Members of the FPS Local Pension Board are expected to regularly attend meetings. Records of attendance of all Members will be maintained and reported to the Chief Financial Officer and Monitoring Officer on at least an annual basis.

A meeting of the FPS Local Pension Board will only be quorate when two of the four Representatives are present, one of which must be a Scheme Member Representative and the other an Employer Representative, and where the Board has an Independent Member he must also be present in addition.

A meeting that is (or becomes at any point) not quorate will cease immediately.

f) Chair and Vice Chair

The Appointments Panel will select the Chair and Vice Chair of the FPS Local Pension Board. Where the Appointments Panel does not consider any of the members suitable for the role of Chair, it will appoint an Independent Member to the FPS Local Pension Board who will also undertake the role of Chair to the FPS Local Pension Board. The Independent Member may have an Alternate who can undertake the role of Chair in his absence.

The appointments to Chair and Vice Chair will be reviewed at such times as considered appropriate by the Appointments Panel, unless the Chair is an Independent Member, in which case the position will be linked to the term of appointment for the Independent Member.

The role of the Chair is to:

- ensure that all members of the Board show due respect for process, that all views are fully heard and considered and that decisions are democratically made where consensus cannot be reached;
- uphold and promote the purpose of the Board and to interpret its Terms of Reference when necessary;

- ensure that the FPS Local Pension Board members have the knowledge and skills as determined in the Board's Training Policy and other guidance or legislation and to maintain a training record;
- liaise with the officer nominated by the Chief Financial Officer to act as lead officer for the FPS Local Pension Board (the "Board Secretary") to arrange such advice as required subject to joint agreement by the Chief Financial Officer and Monitoring Officer on such conditions as those officers jointly agree;
- agree the agenda for each FPS Local Pension Board meeting;
- approve the minutes for FPS Local Pension Board meetings;
- ensure an attendance record is maintained along with advising Northumberland County Council on remuneration and expenses to be paid;
- advise Northumberland County Council on an appropriate budget (e.g. for the use of advisers, training, accommodation, and expenses) for the Board which should be formally approved by the Chief Financial Officer on an annual basis by no later than 30 June each year, starting in 2016;
- write reports required by Northumberland County Council on the work of the Board;
- liaise with the Board Secretary on the requirements of the Board, including advanced notice for Northumberland County Council officers to attend, and to arrange dates and times of Board meetings;
- undertake other tasks which may be deemed appropriate by Northumberland County Council for the Chair of the FPS Local Pension Board; and
- undertake other tasks that may be requested by the members of the FPS Local Pension Board, within the remit of these Terms of Reference and subject to agreement with the Chief Financial Officer and Monitoring Officer.

Where an Independent Member is the Chair, the role includes acting as professional adviser for the Board.

The decision of the Chair on all points of procedure and order shall be final.

The Vice Chair will substitute for the Chair, unless the Chair is an Independent Member.

g) Voting

Each Employer and Scheme Member Representative on the FPS Local Pension Board will have an individual voting right but it is expected the FPS Local Pension Board will as far as possible reach a consensus. Where the Chair is a Scheme Member or Employer Representative he/she will have the final deciding vote in cases where consensus cannot be reached.

If the Chair is an Independent Member, he/she will not have a voting right.

Any decision being reported to Monitoring Officer and Head of Audit must receive agreement from a majority of voting members.

The results of any voting outcomes will be reported in the Board minutes.

5) Location and Timing

The FPS Local Pension Board will normally meet virtually (such as a zoom meeting) or in person at an office of Northumberland County Council, or a hybrid of the two.

Meetings should be within the times of 9am and 5pm Monday to Friday on a normal working day apart from in exceptional circumstances agreed by all FPS Local Pension Board members and other individuals expected to attend the FPS Local Pension Board. At least 1 week's notice will be given for all regular meetings of the FPS Local Pension Board.

The Board will meet a minimum of twice in each calendar year. The Chair may call, or agree to call, additional meetings.

Urgent business of the FPS Local Pension Board between meetings may, in exceptional circumstances, be conducted via communications between members of the FPS Local Pension Board including telephone conferencing and e-mails.

6) Remuneration and Expenses

An allowance will be made to both Employer and Scheme Member Representatives equivalent to the rates referred to in the Members' Allowances Scheme in Northumberland County Council's Constitution as follows:

- if a Representative is also Chair of the FPS Local Pension Board the allowance is the rate payable to the Independent Chair of the Standards Committee; and
- to all other Representatives the allowance is the rate payable to the Independent Co-opted Members of the Audit Committee.

In addition, Employer and Scheme Member Representatives will also be entitled to claim travel and subsistence allowances in accordance with the Members' Allowances Scheme in Northumberland County Council's Constitution.

Payments to any Independent Member will be in accordance with the terms of his/her contract.

7) Conflicts of Interest

Though members of the FPS Local Pension Board include representatives of specific categories of stakeholder (i.e. scheme members and employer) each member is required to have due regard to the role of the FPS Local Pension Board as outlined in these Terms of Reference. Accordingly all members are expected to work jointly in the best interest of the FPS administered and managed by NCC, rather than solely representing the interest of any individual stakeholders. This should not prevent Members from sharing their knowledge on how matters might impact specific stakeholders of the Fund.

A conflict of interest is defined in the Public Service Pensions Act as:

“in relation to a person, means a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).”

Each member of the FPS Local Pension Board (as well as any other attendees participating in the meeting) will be expected to declare, on appointment and at each meeting, any interests which may lead to conflicts of interest in the subject area or specific agenda of that FPS Local Pension Board.

The Chair of the FPS Local Pension Board must be satisfied that the Board is acting within:

- the conflicts of interest requirements of the Public Service Pensions Act and the FPS Regulations; and
- in the spirit of any national guidance or code of practice in relation to conflicts of interest at the FPS Local Pension Board; and
- in accordance with any Northumberland County Council Conflicts of Interest Policy or Procedures that apply to the Board.

Each member of the FPS Local Pension Board, or a person proposed to be appointed to the Board, (as well as attendees participating in the meeting) must provide the Chair of the FPS Local Pension Board with such information as he or she

reasonably requires for the purposes of demonstrating that there is no conflict of interest.

The Chief Financial Officer and Monitoring Officer will jointly adopt the role of ensuring that the Chair of the FPS Local Pension Board does not have a conflict of interest in the same way as the Chair does in relation to all other FPS Local Pension Board members. Further they must be satisfied that the Chair is carrying out his or her responsibilities under this part appropriately.

8) Receipt of Advice and Information

The Board will be supported in its role and responsibilities by the Independent Member, if there is one appointed. In addition, FPS Local Pension Board members will receive any reports or minutes (or extracts thereof) of any items considered by the Fire Service Disputes Panel which relate to NCC's role as Scheme Manager of the FPS and may attend Disputes Panel meetings in relation to any matters specifically related to NCC's role as Scheme Manager of the FPS, including during exempt items.

In so far as it relates to the role of the FPS Local Pension Board, it may also;

- request and receive information and reports from the Council, Chief Financial Officer or any other body or officer responsible for discharging the Scheme Manager function
- examine decisions made or actions taken by the Disputes Panel or any other body or officer responsible for discharging the Scheme Manager function.

The Board Secretary will provide such information as is reasonably requested.

Any further requests for information and advice are subject to the approval of the Chief Financial Officer, who will be required to consider positively all reasonable requests in relation to the role of the FPS Local Pension Board whilst being mindful of value for money. The Board Secretary will arrange for such information and advice to be provided as is approved.

9) Knowledge and Skills

Under the requirements of the Public Service Pensions Act, a member of the FPS Local Pension Board must be conversant with:

- a) the legislation and associated guidance of the FPS; and

- b) any document recording policy about the administration of the FPS which is adopted by Northumberland County Council.

In addition, a member of the FPS Local Pension Board must have knowledge and understanding of:

- the law relating to pensions; and
- any other matters which are prescribed in regulations.

It is for each FPS Local Pension Board member to be satisfied that he/she has the appropriate degree of knowledge and understanding to enable him/her to properly exercise his/her functions as a member of the FPS Local Pension Board.

In line with this requirement FPS Local Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. FPS Local Pension Board members are therefore required to:

- participate in training events (a written record of relevant training and development will be maintained);
- undertake a personal training needs analysis or other method to identify gaps in skills, competencies and knowledge; and
- comply with any Training Policy which is developed for FPS Local Pension Board members.

10) Standards of Conduct

Part 1 of the Northumberland County Council Code of Conduct for Elected Members in the Council's Constitution shall apply in relation to the standards of conduct of FPS Local Pension Board members (both Employer and Scheme Member Representatives) as if they were co-opted members of the Council.

11) Administration

The Chair will agree an agenda with the Board Secretary of the FPS Local Pension Board prior to each FPS Local Pension Board meeting. The agenda and any papers for the FPS Local Pension Board will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 20 working days after the meeting. These draft minutes will be subject to formal agreement by the Chair taking consideration of

comments by Board members (which may be done electronically between meetings).

The minutes may, at the discretion of the Chair, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 2018.

The Pension Board must comply with Northumberland County Council's data protection policy. It must also adhere to Northumberland County Council's requirement, controls and policies for Freedom of Information Act compliance.

12) Access to the Public and Publication of FPS Local Pension Board Information

The FPS Local Pension Board will not be a meeting of the Council open to the general public.

An officer of Democratic Services will be permitted to attend FPS Local Pension Board meetings to take minutes and provide other appropriate administrative support.

The following will be entitled to attend FPS Local Pension Board meetings in an observer capacity:

- members of the Disputes Panel (Fire and Rescue Services);
- the Board Secretary;
- the Chief Financial Officer, Chief Fire Officer, Pensions Administration Manager, Monitoring Officer and Head of Audit;
- other officers or advisers of Northumberland County Council involved with the management of the FPS subject to approval in advance by the Chair, or on request by the Chair;
- any scheme member of the FPS who is or was employed by Northumberland County Council or any officer/representative of the Northumberland Fire & Rescue Service, subject to advanced notice of intention to attend being sent to the Chair and the Chair having the right to refuse attendance during items that may be considered confidential or for other justifiable reasons;
- any other person requested to attend by the Chair; and
- any other person subject to approval in advance by the Chair.

Any such attendees will be permitted to speak at the discretion of the Chair.

In accordance with the Public Service Pensions Act, Northumberland County Council is required to publish information about the FPS Local Pension Board including:

- who the FPS Local Pension Board members are;
- representation on the Board; and
- the role of the FPS Local Pension Board.

In accordance with good practice, Northumberland County Council may publish other information relating to the FPS Local Pension Board as considered appropriate from time to time and which may include:

- the agendas and minutes;

- training and attendance logs; and
- an annual report on the work of the FPS Local Pension Board.

All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- on the Northumberland County Council website; and/or
- within the Northumberland County Council Annual Report and Accounts.

Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 2018.

In addition, the Board will need to consider any additional communication necessary with scheme members and employers, and liaise with the Board Secretary with a view to carrying this out in an efficient and effective manner.

13) Accountability

The FPS Local Pension Board will be collectively and individually accountable to Northumberland County Council.

14) Review, Interpretation and Publication of Terms of Reference

These Terms of Reference have been agreed by Northumberland County Council. The Council will monitor and evaluate the operation of the FPS Local Pension Board and may review these Terms of Reference from time to time.

These Terms of Reference will be incorporated into the Council's Constitution and will be publicly available as part of the Constitution as defined in the Council's Constitution and may be amended by the same means as permitted for the Constitution.

15) Definitions and Interpretation

Points of interpretation:

- All references to job titles of officers are to officers within Northumberland County Council unless otherwise stated.

The undernoted terms shall have the following meaning when used in this appendix:

<i>"FPS Local Pension Board" or "Board"</i>	The FPS Local Pension Board for Northumberland County Council, Scheme Manager for the Firefighters' Pension Scheme of Northumberland Fire & Rescue Service as required under the Public Service Pensions Act 2013
<i>"Corporate Services and Economic Growth OSC"</i>	The Northumberland County Council Corporate Services and Economic Growth Overview and Scrutiny Committee
<i>"the FPS Regulations"</i>	The Firefighters' Pension Scheme (England) Regulations 2014 (as amended)
<i>"the Public Service Pensions Act" or "the Act"</i>	The Public Service Pensions Act 2013 (as amended)
<i>"Scheme Manager"</i>	Northumberland County Council as Northumberland Fire & Rescue Authority.
<i>"Chair"</i>	The appointed Chairperson of the FPS Local Pension Board
<i>"FPS"</i>	The Firefighters' Pension Scheme in England
<i>"Scheme"</i>	The Firefighters' Pension Scheme in England
<i>"Chief Financial Officer"</i>	The Chief Financial Officer of Northumberland County Council or an alternative officer nominated by the Chief Financial Officer
<i>"Chief Fire Officer"</i>	The Chief Fire Officer of Northumberland County Council or an alternative officer nominated by the Chief Fire Officer

<i>“Monitoring Officer”</i>	The Monitoring Officer of Northumberland County Council or an alternative officer nominated by the Monitoring Officer
<i>“Pensions Administration Manager”</i>	The Client Relationship Manager of West Yorkshire Pension Fund (an officer of City of Bradford Metropolitan District Council) or an alternative officer nominated by Business Development Manager of West Yorkshire Pension Fund (an officer of City of Bradford Metropolitan District Council)

This page is intentionally left blank



Northumberland County Council

Audit Committee

Wednesday, 29 November 2023

Strategic Audit Plan 2023/24 - Interim Monitoring Statement

Report of Head of Internal Audit and Risk Management

1. Link to Key Priorities of the Corporate Plan

The work of Internal Audit and the Audit Committee contributes to the overall achievement of all priorities in the Council's Corporate Plan 2023-2026. In particular, it supports the 'Value for Money' priority.

2. Purpose of report

The purpose of this report is to provide the Audit Committee with an interim (half yearly) monitoring statement in respect of the Strategic Audit Plan for 2023/24 (this document is attached as **Appendix 1**).

3. Recommendations

- 3.1 It is recommended that the Audit Committee notes and considers the progress set out in the Strategic Audit Plan Interim Monitoring Statement, attached as **Appendix 1**, and the level of coverage achieved by Internal Audit at this stage in the year.

4. Background

- 4.1 The Strategic Audit Plan 2023/24 was presented to, and approved by, the Audit Committee at its meeting on 29 March. The Strategic Audit Plan helps to ensure that Internal Audit is able to meet its aims as an independent appraisal function for the Authority and sets out Internal Audit's objectives (based on an assessment of risks and opportunities for the organisation).
- 4.2 An Interim Monitoring Statement, outlining progress against the Strategic Audit Plan as at the end of September 2023, is attached as **Appendix 1**. Within the 2023/24 Strategic Audit Plan, 49 assignments were programmed. At the mid-year point, 24 of these assignments (48.98%) were either in progress or completed. Work has also been undertaken on finalising 17 assignments from the previous financial year. In addition, a significant amount of unplanned work has been undertaken which is summarised below:

- Certification of an additional 4 grant claims with a combined value of £3.96m;
- Work has been undertaken on special investigations, where potential fraud and theft were suspected;
- Reviews requested by the Executive Director of Transformation & Resources (s151 Officer) in relation to potentially unlawful payments following s114A report.

4.3 In order to ensure that we continue to support the Authority and provide coverage of emerging high-risk areas, the Strategic Audit Plan is kept under continuous review. This has been formalised at the mid-point of the year, with further engagement undertaken with Executive Management Team. Following engagement, 5 additional assignments have been identified for inclusion within the 2023/24 plan of work. Of these assignments, 3 are currently underway and 2 are planned for the second half of the year.

4.4 The table below shows the current status of all audit assignments originally planned.

Status of Planned 2023/24 Assignments	Number	Percentage
Complete	8	16.33%
Complete - ongoing	5	10.20%
Underway	11	22.45%
Planned for second half of year	15	30.61%
Reprogrammed to 2024/25	10	20.41%
No longer required	0	0%
Total	49	100%

Fig1. Planned Audit Analysis

4.5 The resourcing of the Internal Audit team is kept under constant review and some reshaping of the team has been required during the first half of the year. The recruitment and induction of new staff members impacts upon productive time available and the service has successfully undertaken one recruitment process, with recruitment to a further post currently underway.

4.6 The Audit Plan will continue to be closely monitored for the remainder of the year and a full outturn will be reported to Committee in May 2024.

4.7 A series of performance indicators were formalised during 2023/24 to help monitor and report upon Internal Audit's performance and effectiveness. Key performance indicators are detailed below, along with target and actual performance for the first half of the year:

Key Performance Indicator	Target	Actual to 30 Sept.	2022/23 Actual
%age of planned productive days achieved	90%	45.87%	90.5%
%age of number of assignments completed (or substantially completed) compared to planned number of assignments	90%	42.86%	89.1%
%age of final reports issued within 10 calendar days of receipt of all management responses to draft report	95%	100%	-
Average score from client feedback received	Lower than 2.0	1.321	1.307

- 4.8 The Public Sector Internal Audit Standards require that an external assessment of conformance to the standards by the Internal Audit Service is undertaken at least once every five years. The previous external assessment was undertaken of the shared Internal Audit service with North Tyneside Council in 2018. An external assessment is currently being undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the outcomes will be reported to Audit Committee once concluded.
- 4.9 A self-assessment of conformance to the standards was undertaken and reported to Audit Committee in January 2023, with an update reported to Audit Committee in July 2023. The self-assessment reported a high level of conformance and highlighted a small number of areas in which further development would assure greater adherence to the required standards, with identified actions. An update on all actions is set out in **Appendix 2**.

5. Options and reasons for the recommendations

- 5.1 The following decision options are available for consideration by Audit Committee:

Option 1

Audit Committee notes and considers the progress set out in the Strategic Audit Plan Interim Monitoring Statement, attached as **Appendix 1**, and the level of coverage achieved by Internal Audit at this stage in the year.

Option 2

Audit Committee does not agree to note and consider the progress set out in the Strategic Audit Plan Interim Monitoring Statement, attached as **Appendix 1**, and the level of coverage achieved by Internal Audit at this stage in the year.

Option 1 is the recommended option. Audit Committee is required to receive periodic updates from the Chief Internal Auditor on Internal Audit matters, including performance relating to its plan of work.

6. Implications

Policy	Effective internal audit is an essential part of the County Council's governance arrangements. Internal Audit examines the Council's systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed. Based on an assessment of risk, the Strategic Audit Plan sets out the planned areas in which this coverage will be focussed.
Finance and value for money	The audit of the Council's activities, as set out in the Strategic Audit Plan, promotes good financial governance and the importance of value for money. Effective control in these areas reduces the potential for financial loss through fraud, waste, and inefficiencies.
Legal	The Accounts and Audit Regulations 2015, require the Authority to undertake an effective internal audit to evaluate

	the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Public Sector Internal Audit Standards and related Local Government Application Note require that the Chief Audit Executive (Chief Internal Auditor) should report periodically to senior management and the board on Internal Audit matters, including performance relating to its plan.
Procurement	None
Human resources	A robust Strategic Audit Plan provides clarity for officers within the Internal Audit service on the key outcomes which each audit assignment is intended to deliver. It is supported by an operational resourcing plan, ensuring that work can be properly planned and allocated.
Property	None
The Equalities Act: is a full impact assessment required and attached?	No - not required at this point No equalities implications identified.
Risk assessment	The audit plan is prepared using a risk-based approach, thus ensuring that coverage is focussed on those areas of Council activity with high levels of risk to the achievement of key objectives.
Crime and disorder	Section 17 of the Crime and Disorder Act 1998 has been considered, and no implications have been identified. The Strategic Audit Plan includes planned coverage on counter fraud assurance work.
Customer considerations	The Strategic Audit Plan 2022/23 was based on a risk-based audit needs assessment following consultation with customers of our service including the Executive Management Team and members of the Audit Committee.
Carbon reduction	None
Health and wellbeing	None
Wards	All

7. **Background papers**

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author:

- (a) Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, revised April 2017
- (b) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019
- (c) Strategic Audit Plan 2022/23, March 2022
- (d) Strategic Audit Plan 2023/24, March 2023
- (e) Northumberland County Council Constitution & Finance and Contract Rules
- (f) The Accounts and Audit Regulations 2015, April 2015.

8. **Links to other key reports already published**

Not Applicable

9. **Author and Contact Details**

Kevin McDonald, Head of Internal Audit and Risk Management (Chief Internal Auditor)

Email: Kevin.McDonald@northumberland.gov.uk

Tony Candlish, Group Assurance Manager

Email: Tony.Candlish@northumberland.gov.uk

This page is intentionally left blank

Strategic Audit Plan 2023/24 – Interim Monitoring Statement as at 30 September 2023

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Advice, Contingencies & Assurance	<ul style="list-style-type: none"> • Advice & Guidance • Contingencies & Work Requests • Fraud & Special Investigations 	Responding to ad-hoc queries and requests for advice; responding to requests for one-off audit assignments, where it is considered that audit involvement is necessary; project assurance and assuring appropriate consideration has been given to internal control & governance issues when new systems are introduced.	Ongoing throughout the year – on target . A number of additional, unplanned work items have been undertaken, including: <ul style="list-style-type: none"> • Investigations into potential fraud; • Further reviews in relation to potentially unlawful payments following s114A report.
Programme Assurance	New Systems / Methods of Service Delivery	<p>Internal Audit may be asked to add value by providing assurance on aspects of the approach and work undertaken and assessing the robustness of arrangements for benefits realisation. The systems, programmes and new initiatives to be supported are continually reviewed and assessed. Consultation on the Audit Plan identified the following areas that may benefit from Internal Audit's support:</p> <ul style="list-style-type: none"> • Supporting the Strategic Change Programme • Replacement of Swift social care system • Supporting the Leisure procurement process • Development of Inequalities and Equalities Impact Assessments • Transfer of Youth Services to Locality Family Hubs • Northumberland Fire and Rescue Service – Continuous Improvement Plan and Performance Assurance Framework • Home to School Transport • Implementation of HR recruitment / application tracking system 	Ongoing throughout the year – on target : <p>2022/23 reviews:</p> <ul style="list-style-type: none"> • Capital Programme Management Arrangements (Draft Report Issued) • Arrangements for managing contracts we deliver and associated performance management (Draft Report Issued) <p>2023/24 Work undertaken:</p> <ul style="list-style-type: none"> • Supporting BEST – ongoing • Replacement of Swift social care system – ongoing • Supporting the Leisure procurement process – ongoing • Implementation of HR system recruitment / application tracking system – complete • An overview of controls with the new Treasury Management daily cash transfers system – complete (additional) • Adult Services Internal Visit Process – ongoing (additional) • School Purchase Order processes – ongoing (additional) • Review of financial management arrangements governing the Northumberland Line project (additional)

Heading	Auditable Area	Description / Audit Objectives	Progress Update
			<p>Reviews scheduled for second half of the year:</p> <ul style="list-style-type: none"> • Transfer of Youth Services to Locality Family Hubs • Home to School Transport • To support the Housing Service in developing controls in relation to new Housing Bill requirements (additional). <p>Reviews reprogrammed to 2024/25: The following reviews are to be reprogrammed to take place during 2024/25:</p> <ul style="list-style-type: none"> • Development of Inequalities and Equalities Impact Assessments • Northumberland Fire and Rescue Service – Continuous Improvement Plan and Performance Assurance Framework
Corporate and Cross Cutting	Follow up on Recommendations	Monitoring the implementation of Internal Audit recommendations in consultation with the service areas which have received these recommendations. During the year, Internal Audit will review the process within the Internal Audit and Risk Management Service to ensure recommendations are followed up and reported upon to Audit Committee in a timely, efficient and effective manner.	Ongoing throughout the year – on target. Work to review Internal Audit’s processes for monitoring the implementation of Internal Audit recommendations is ongoing and work is continuing with IS to develop a bespoke system to facilitate this.

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	Pre-Submission Review of Grant Claims	There is an increasing number of funding streams that require an Internal Audit review prior to final claim submission. Internal Audit will undertake the necessary assurance checks as these grant submissions become due.	<p>Ongoing throughout the year – on target. Additional unplanned work has been undertaken and the allocated time budget has been exceeded. For all completed certifications the grant return was found to be compliant with the grant provider’s audit requirements:</p> <p>The following planned certification work has been completed:</p> <ul style="list-style-type: none"> • Local Transport Plan & associated grants – £23.426m • Bus Service Operator’s Grant – £0.500m • Supporting Families – £0.072m (2 of 4 planned certifications) <p>The following unplanned grant certification has been completed during the year to date:</p> <ul style="list-style-type: none"> • Home Upgrade Grant Phase 1 - £0.103m • Family Hubs Capital Grant - £0.036m • Northumberland Communities Together - £0.495m • Disabled Facilities Grant - £3.329m
Corporate and Cross Cutting	Annual Opinion	An annual opinion on the ‘adequacy and effectiveness of the framework of governance, risk management and control’ will be drafted and presented to the Chief Executive, Executive Team and Audit Committee, outlining the audit work performed during the year and summarising key themes. This will be timed to support production of the Council’s Annual Governance Statement.	<p>Complete. The 2022/23 Annual Opinion report was presented to Audit Committee in July 2023.</p>

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Corporate and Cross Cutting	Governance and Value for Money Reviews	<p>To review whether appropriate internal controls exist within a sample of significant business arrangements within Northumberland County Council. Where it is possible to assess the economy, efficiency and effectiveness of specific aspects of these arrangements, this will also be undertaken. Areas proposed to be reviewed under this heading in 2023/24 include:</p> <ul style="list-style-type: none"> • Adult Services – Direct Payment arrangements • Advance Northumberland – Revised Governance Arrangements for Council-owned companies • Contract Management Arrangements – Follow-up review • Corporate Compliance: <ul style="list-style-type: none"> ○ Performance Management Framework ○ Statutory Compliance Requirements • Exceptional Governance Matters: <ul style="list-style-type: none"> ○ Implementation and embeddedness of actions from the Caller Action Plan ○ Ethical Governance Arrangements ○ Policy Framework • Finance Assumptions - Asset Management Arrangements and Valuation of Assets • Multiple Large Scale Capital Schemes – Follow-up review • Planning – Follow up reviews of Planning Procedures and S106 Agreements 	<p>2022/23 Reviews:</p> <ul style="list-style-type: none"> • Governance arrangements over accountable body status for Borderlands (Reasonable Assurance) • Information Governance (Draft Report Issued) • Ethical Governance Arrangements (Draft Report Issued) • Recruitment and Retention (ongoing) <p>2023/24 Work undertaken:</p> <ul style="list-style-type: none"> • Adult Services – Direct Payment arrangements – ongoing • Performance Management Framework – ongoing • Implementation and embeddedness of actions from the Caller Action Plan – ongoing <p>Reviews scheduled for second half of the year:</p> <ul style="list-style-type: none"> • Policy Framework • Financial Assumptions – Asset Management Arrangements and Valuation of Assets • S106 Agreements – Follow-up review • Children’s Service Personalised Budgets (additional) <p>Reviews reprogrammed to 2024/25: The following reviews are to be reprogrammed to take place during 2024/25:</p> <ul style="list-style-type: none"> • Ethical Governance • Advance Northumberland – Revised Governance Arrangements • Multiple Large Scale Capital Schemes – Follow-up review • Contract Management Arrangements – Follow-up review • Statutory Compliance Requirements • Planning Procedures – Follow-up review

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Education and Skills	Schools' Financial Value Standard (SFVS)	To co-ordinate schools in the completion of their mandatory returns, and provide assurance to the Section 151 Officer relating to their annual report to the Department for Education.	<p>2022/23 Submission Complete All eligible schools submitted their assessments by the statutory deadline of 31 March 2023 and the required assurance statement was completed on behalf of the Executive Director of Transformation and Resources (s151 Officer) prior to the 31 May 2023 DfE submission deadline.</p> <p>2023/24 Submission Planned Work will commence as soon as the SFVS documentation for 2023/24 is issued by the DfE.</p>
	Schools & Other Educational Establishments	To assess, on a thematic basis, the application of controls associated with the discharge of responsibilities relating to delegated school budgets, within a sample of the County's schools on a risk assessed basis.	<p>2022/23 Reviews Completed: To review controls and procedures in place to achieve value for money in schools, five schools were selected for review. Final reports were issued to five schools, all receiving Reasonable Assurance audit opinions, and containing 19 medium and 15 low priority recommendations. A summary briefing note summarising the findings from these reviews was also issued. Several common issues were identified and an update and self-assessment checklist will be issued to all schools.</p> <p>2023/24 School thematic reviews are currently being planned.</p>
	Schools & Other Educational Establishments	<p>To provide advice and support on issues of probity and internal control, on school and other educational establishment financial governance related issues, as requested. This may include, for example:</p> <ul style="list-style-type: none"> • Support in verifying aspects of financial arrangements in the case of any planned school closures or transfer to academy status; • Support in verifying aspects of financial arrangements in the case of any planned transfer of elements of service provision; or • Support to schools within the Schools Intervention and Support Programme. 	<p>No requests for support received during the year to date.</p>

Heading	Auditable Area	Description / Audit Objectives	Progress Update
Counter Fraud	Pro-active anti-fraud work	To undertake pro-active anti-fraud and corruption work (including participation in the Cabinet Office's National Fraud Initiative and performing internal data matching exercises); and to raise the awareness of counter fraud and corruption measures across the organisation.	Ongoing throughout the year – on target
Key Financial Systems	Business Rates; Council Tax; Payroll; Creditor Payments; Cash and Bank; Debt and Income Management; Rent Assessment and Collection; Housing and Council Tax Benefit	The key financial systems encompass the main ways in which the Council either pays money out (Creditor Payments, Payroll, Housing & Council Tax Benefit) or receives monies in (Business Rates, Council Tax, Debt and Income Management, Rent Assessment and Collection). Each of these areas will be given some audit coverage in each financial year, with emphasis dictated by the organisation's risk profile determined on an annual basis.	<p>2022/23 Reviews:</p> <ul style="list-style-type: none"> • Payroll (Reasonable Assurance) • Debt and Income Management (Draft Report Issued) <p>2023/24 Reviews Completed</p> <ul style="list-style-type: none"> • Cash and Bank (Reasonable Assurance) • Creditor Payments (Quality Review stage of audit prior to issuing draft report) <p>2023/24 Reviews Underway</p> <ul style="list-style-type: none"> • Council Tax • Business Rates • Housing Benefit and Council Tax Support <p>Reviews scheduled for second half of the year:</p> <ul style="list-style-type: none"> • Payroll • Rent Assessment and Collection

This page is intentionally left blank

Public Sector Internal Audit Standards – Update on Improvement Actions

In summary, the Public Sector Internal Audit Standards include a number of requirements and the self-assessment provides for the ability to state whether there is 'conformance', 'partial conformance' or 'non-conformance'. The self-assessment checklist contains 324 individual questions and of these, 21 refer to arrangements which are not currently applicable to us. Of the remaining 303 questions, the self-assessment completed and reported to Audit Committee in January 2023 demonstrated a high level of conformance as follows:

'Conforms'	289	95.4%
'Partial'	13	4.3%
'Not Conforming'	1	0.3%
Total	303	100%

For those questions which were self-assessed as 'partial' or 'not conforming' in January 2023, actions were identified to address these. All actions are either in progress or have been implemented. A current position on implementation is summarised below:

Standard	Summary from self-assessment reported to Audit Committee in January 2023	Update as at November 2023
Attribute Standard 1000 – Purpose, Authority and Responsibility	20 questions, relating to purpose, authority and responsibility, and the contents of the internal audit charter. 19 questions self-assessed as 'Conforms'. 1 question self-assessed as 'Partial' with an action identified to make details of assurance services provided to external parties explicit within the Internal Audit Charter when next revised.	Revised Audit Charter drafted, incorporating required wording in addition to necessary amendments following restructure. Revised Audit Charter will be agreed with EMT and Audit Committee, once external assessment is concluded.
Attribute Standard 1200 – Proficiency and Due Professional Care	21 questions, relating to proficiency, due professional care, skills, qualifications, and capability. All 21 questions self-assessed as 'Conforms'. However, an action has been identified relating to plans to formalise the use of computer-assisted audit techniques and automating audit processes where possible.	Identified as an action to be implemented during 2023/24. Work is already in progress. Audits have been identified to pilot a different approach using data analytical tools and these are in preparation. We also have team members registered for the Data Academy, including the key team member leading on implementation of this objective.

Standard	Summary from self-assessment reported to Audit Committee in January 2023	Update as at November 2023
Attribute Standard 1300 – Quality Assurance and Improvement Programme (QAIP)	33 questions, relating to the Quality Assurance and Improvement Programme, internal assessments, external assessments, reporting on the QAIP, stating that the service conforms with PSIAS requirements, and disclosure of non-conformance. 23 questions self-assessed as 'Conforms'. 3 questions not applicable. 7 questions self-assessed as 'Partial' with actions identified relating to developing and agreeing a comprehensive set of service targets in addition to those used, using performance monitoring against targets to contribute to quality improvement more comprehensively, and ensuring that the results of the QAIP (and particularly internal assessments) and progress against improvement plans are reported to senior management and Audit Committee in accordance with the requirements of the QAIP developed.	<p>A comprehensive set of service targets has been drafted to add to those targets already in use.</p> <p>Targets have been built into formalised monitoring within the service and incorporated into the requirements of the QAIP agreed in January 2023.</p> <p>Required reporting has commenced with the 2022/23 Annual Opinion Report, reported to Audi Committee in July 2023. will be implemented in full. All required reporting will be implemented moving forwards, including providing Executive Team with suitable updates as part of regular Internal Audit updates.</p>
Performance Standard 2100 – Nature of Work	29 questions, relating to governance, risk management, and control. 28 questions self-assessed as 'Conforms'. 1 question self-assessed as 'Partial' with actions identified to codify internal audit's activity relating to evaluation of 'the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities'.	Initial work on 'ethical governance', reflecting the initial impact of the Independent Governance Review, currently nearing completion. Once initial work is finalised with the Monitoring Officer, we will consider and implement this fully with further work undertaken during 2024/25.
Performance Standard 2200 – Engagement Planning	51 questions, relating to engagement planning, engagement objectives, engagement scope, engagement resource allocation and engagement work programme. 44 questions self-assessed as 'Conforms'. 4 questions self-assessed as not applicable. 3 questions self-assessed as 'Partial' with actions identified to formalise arrangements within audit assignments to 'evaluate and report on	Corporate Performance Management was scheduled to be reviewed during 2022/23, however following actions agreed in response to the Independent Governance Review in June 2022 and the intention to update the Council's Corporate Plan, this work has now

Standard	Summary from self-assessment reported to Audit Committee in January 2023	Update as at November 2023
	whether management have established adequate criteria to evaluate and determine whether organisational objectives and goals have been accomplished’.	been included within Internal Audit’s plan of work for 2023/24 and is due to commence. Whilst performance management is considered within individual audit assignments, we are continually exploring how we make this aspect of our work and subsequent reporting more formalised and explicit as appropriate.
Performance Standard 2400 – Communicating Results	47 questions, relating to criteria for communicating, quality of communications, errors and omissions, use of ‘kite mark’ statements by the service, engagement disclosure of non-conformance, disseminating results, and overall opinion. 41 questions self-assessed as ‘Conforms’. 5 questions not applicable. 1 question self-assessed as ‘Not conforming’, with an action identified relating to including details of progress against improvement plans resulting from the QAIP within the annual overall opinion report.	This was implemented as part of the 2022/23 Annual Opinion Report reported to Audit Committee in July 2023. All future reporting to Audit Committee now adapted accordingly.
Performance Standard 2500 – Monitoring Progress	4 questions. 3 questions self-assessed as ‘Conforms’. 1 question self-assessed as ‘Partial’ with actions identified relating to seeking client feedback from consulting engagements. Action has already been taken but is not yet embedded within the service.	Implemented.

This page is intentionally left blank



Northumberland County Council

Audit Committee

Wednesday, 29 November 2023

Key Outcomes from Internal Audit Reports

Report of Head of Internal Audit and Risk Management

1. **Link to Key Priorities of the Corporate Plan**

The work of Internal Audit and the Audit Committee contributes to the overall achievement of all priorities in the Council's Corporate Plan 2023-2026. In particular, it supports the 'Value for Money' priority.

2. **Purpose of report**

The purpose of this report is to advise Audit Committee of key outcomes from Internal Audit reports issued between May 2023 and October 2023.

3. **Recommendations**

- 3.1 It is recommended that the Audit Committee considers the key findings from, good practice identified in, and management action taken in response to the Internal Audit reports issued in this period, summarised in **Appendix 1**.

4. **Background**

- 4.1 The work programme established for the Audit Committee ensures that the Committee receives regular reports summarising the outcomes from Internal Audit's planned work during the year. This is important in ensuring that Audit Committee is able to maintain oversight of emerging risks and governance themes as these arise during the year. This also reflects the Public Sector Internal Audit Standards (PSIAS), which state that "in addition to the annual report, the Chief Internal Auditor should make arrangements for interim reporting to the organisation in the course of the year. Such interim reports should address emerging issues in respect of the whole range of areas to be covered in the annual report".
- 4.2 A summary of key outcomes from planned Internal Audit reports issued between May 2023 to October 2023, including findings, areas of good practice identified, and action taken to date by management in response to each audit, is attached as Appendix 1. This information, along with intelligence gained from other substantive

audit work and project assurance work, supports the development of the Annual Opinion from the Chief Internal Auditor on the Framework of Governance, Risk Management and Control.

- 4.3 Internal Audit has also supported a number of special investigations and management requests in this time period. Key themes arising from this work are included in Internal Audit’s annual report. At the time of writing this report, additional reports are at final clearance stage and will be issued imminently. These reports will be included in the next report to the Audit Committee.

5. Options and reasons for the recommendations

- 5.1 The following decision options are available for consideration by Audit Committee:

Option 1

Audit Committee considers the key findings from, good practice identified in, and management action taken in response to the Internal Audit reports issued between May 2023 and October 2023.

Option 2

Audit Committee does not agree to consider the key findings from, good practice identified in, and management action taken in response to the Internal Audit reports issued between May 2023 and October 2023.

Option 1 is the recommended option. Audit Committee is required to receive reports from the Chief Internal Auditor during the course of the year, summarising the outcomes from Internal Audit’s work. This enables Audit Committee to maintain oversight of emerging risks and governance themes, which may be covered in the Chief Internal Auditor’s annual opinion report.

6. Implications

Policy	Effective internal audit is an essential part of the County Council’s governance arrangements. Internal Audit examines the Council’s systems of internal control, and the economy, efficiency and effectiveness with which resources are deployed. The Strategic Audit Plan sets out the planned areas in which this coverage will be focused, based on an assessment of risk.
Finance and value for money	The audit of the Council’s activities promotes good financial governance and the importance of value for money. Effective control in these areas reduces the potential for financial loss through fraud, waste and inefficiency.
Legal	The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Public Sector Internal Audit Standards require that the Chief Internal Auditor should make

	arrangements for interim reporting to the organisation in the course of the year.
Procurement	None
Human resources	None
Property	None
The Equalities Act: is a full impact assessment required and attached?	No - not required at this point Equality Impact Assessment not required.
Risk assessment	Risks have been considered and there are no risks identified directly arising from this report. The Strategic Audit Plan is prepared using a risk-based approach, thus ensuring that coverage is focused on those areas of Council activity with high levels of risk to the achievement of key objectives.
Crime and disorder	There are no specific crime and disorder issues arising from this report. The work of Internal Audit is a key strand in the Authority's counter-fraud arrangements, as set out in the Strategic Audit Plan.
Customer considerations	All Internal Audit reviews were shared with and reported to the relevant audit client upon conclusion of each audit assignment, with actions agreed by management. Management comments on the summary of key outcomes from Internal Audit reports have been included in the report
Carbon reduction	None
Health and wellbeing	None
Wards	(All Wards);

7. Background papers

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

- Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, revised April 2017;

- Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors;
- The Accounts and Audit Regulations 2015, April 2015;
- Northumberland County Council Finance and Contract Rules, December 2011; and
- Strategic Audit Plan 2023/24, March 2023.

8. Links to other key reports already published

None.

9. Author and Contact Details

Kevin McDonald, Head of Internal Audit and Risk Management (Chief Internal Auditor)

Email: Kevin.McDonald@northumberland.gov.uk

Simon Hall, Group Assurance Manager

Email: Simon.Hall@northumberland.gov.uk



Northumberland
County Council

Internal Audit and Risk Management Service

Key Outcomes from Internal Audit Assignments (May 2023 – October 2023)

1 Introduction – Governance Framework

- 1.1 Internal Audit is an independent, objective assurance function designed to add value and improve an organisation’s operations. Under the Public Sector Internal Audit Standards (PSIAS), Internal Audit is required to help an organisation accomplish its objectives by “bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- 1.2 It is important that the Audit Committee receives regular updates on key findings and governance themes from Internal Audit’s work. This is also emphasised in the PSIAS which require the Chief Internal Auditor to provide an annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control and also to report on emerging issues in year.

2 Purpose of this Report

- 2.1 This report summarises the outcomes from Internal Audit reports which have been finalised, in consultation with management, and issued in the period from May 2023 – October 2023. Information has been provided on the level of assurance for each audit (described below), the number of recommendations made (classified according to priority), areas of good practice identified, and main findings. The progress made / action taken by management in respect of key issues identified from each audit has also been included.
- 2.2 It is intended that by providing regular reports on key outcomes from Internal Audit’s work, this will enable the Audit Committee to develop an ongoing awareness of the soundness of the framework of governance, risk management and control, in addition to receiving the Chief Internal Auditor’s annual opinion on this matter each May.
- 2.3 In this report, details of ten audit assignments are presented. Five of the audit assignments received a ‘reasonable assurance’ opinion, four received a ‘limited assurance’ opinion, with one assignment where an opinion was not expressed. There were 6 ‘high’ priority recommendations, 45 ‘medium’ priority recommendations made, but no ‘critical’ priority recommendations. These reports are detailed in **Section 4** below.
- 2.4 It is too early to report on action taken for a number of recommendations as the target dates have not yet been reached. In these cases, recommendations will be followed up later in the year in accordance with Internal Audit’s agreed processes. Details of evidence checking processes are included at **Section 5** below.

- 2.5 In addition to performing internal audits of existing systems within the Authority and responding to queries on the operation of such systems, Internal Audit has a significant and increasing role in advising on new systems within the Authority. Whilst the time spent on such assurance work reduces the number of available audit days, it is considered an efficient use of Internal Audit’s resource, in that assurance is obtained that effective controls are incorporated into new major systems from the outset. In turn, this minimises the risk of weaknesses in systems and strengthens the control environment.
- 2.6 Internal Audit has completed the certification of a number of grant returns, supported a number of special investigations, management requests and programme assurance work. A summary of this work is included at **Section 6** of this report. Key themes arising from this work will be included in Internal Audit’s annual report.

3 Opinion Framework

- 3.1 A framework of opinion classifications is used in Internal Audit reporting. The framework applies an overall assurance judgement to each system audited. The current opinion classifications are set out in the following table:

Level of Assurance	Description
Substantial Assurance	There is an effective system of internal control in place designed to achieve the Council’s objectives with only minor issues being identified which require improvement.
Reasonable Assurance	There is a generally sound system of control in place. However, some weakness in the design of, or occasional non-compliance with, key controls put the achievement of the system’s objectives at risk in some areas reviewed.
Limited Assurance	Weaknesses in the design of, or regular non-compliance with, key controls put the achievement of the system’s objectives at risk in some or all of the areas reviewed.
No Assurance	Significant weaknesses in the design of, or consistent non-compliance with, key controls could result (have resulted) in failure to achieve the system’s objectives in the areas reviewed.

- 3.2 The opinions given to audits issued during this period are shown in **Section 4**.
- 3.3 In addition to the overall opinion given on every internal audit, individual recommendations within each report are classified as critical, high, medium or low priority. This prioritisation is designed to assist management in assessing the importance of each recommendation. The definitions of these priority classifications are set out in the following table:

Classification	Description
Critical	Action that is considered critical to ensure the organisation is not exposed to unacceptable risk and the recommendation should be implemented immediately.
High	Action that is considered urgent to ensure the service area is not exposed to high risks and the recommendation should be implemented as a priority.
Medium	Action that is considered necessary to avoid exposure to considerable risks and the recommendation should be implemented within an appropriate time frame.
Low	Action that is considered desirable or best practice and would result in enhanced control or better value for money.

- 3.4 Prioritisation of Internal Audit recommendations is moderated through Internal Audit's quality control and file review processes.

4 Main Outcomes – Audit Reports Issued during period May 2023 – October 2023

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
1	School Thematic Reviews – Value for Money – Middle School	The audit reviewed and appraised the adequacy and effectiveness of controls and procedures in place to achieve value for money in accordance with the Scheme for Financing Schools, Local Authority guidance and best practice.	Reasonable	0	0	2	1
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>During the budget monitoring process the School identified increasing stationery costs. The School proactively sought a new supplier, which has resulted in reduced costs for paper supplies and demonstrates the School actively considering value for money.</p>		<ul style="list-style-type: none"> • Contracts and Tendering: In two cases, accumulated expenditure with a supplier exceeded £10k. However, three quotes had not been obtained and evidence could not be provided of this being considered and reported to the Governing Body. (Medium) • Legal Advice: Legal advice had not been sought in relation to contracts. Governing Body approval to enter into one contract was not recorded in meeting minutes. (Medium) 		<p>Final report issued 12 June 2023.</p> <p>Management have certified the implementation of both medium priority recommendations.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
2	School Thematic Reviews – Value for Money – High School	The audit reviewed and appraised the adequacy and effectiveness of controls and procedures in place to achieve value for money in accordance with the Scheme for Financing Schools, Local Authority guidance and best practice.	Reasonable	0	0	3	2
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>Testing confirmed that there is a generally sound system of control in place in most of the areas examined. A value for money Benchmarking exercise carried out annually and presented to the Governing Body.</p>		<ul style="list-style-type: none"> • Budget Monitoring: Payroll monitoring and reconciliation was solely undertaken by the Business Director. (Medium) • School Development Plan: The School Development Plan did not include the costs associated with improvement actions. (Medium) • Financial Procedures: The School’s Financial Procedures Manual was last updated in September 2019. (Medium) 		<p>Final Report issued 22 June 2023.</p> <p>Management have confirmed that:</p> <ul style="list-style-type: none"> • The recommendation relating to Payroll had been implemented. • While progress has been made on the School Development Plan and the School’s Financial Procedures Manual, a revised target implementation date of 31 December 2023 would allow full implementation of both recommendations. 			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
3	IS Data Storage	The objective of the audit was to review and appraise the adequacy and effectiveness of controls established in relation to Data Storage within the County Council's information systems.	Limited	0	1	6	7
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>Audit logging is applied to the SAN which records the activity of system administrators. This includes configuration files, accessed or changed.</p>		<ul style="list-style-type: none"> • Policies: A documented data storage policy was not in place. (Medium) • Confidential Data: Some folders on the SAN where access should have been restricted were accessible to additional users. (High) • Email Storage: There has been an ongoing issue of employees using their email accounts as a document storage facility. Reports detailing the size of each mailbox have been provided to Executive Team. However, this had not happened recently, and guidance had not been issued to employees. (Medium) • System Retention: There were multiple systems in use across the Authority which do not have archiving and deletion functionality. (Medium x 2) • Documents: A review of the SAN identified folders and documents showing last modified dates which suggest that these are no longer required. (Medium) • Digital and Physical Records: A number of records were identified as being a physical record that had then been scanned into a system and saved into a file share, but all the previous copies not deleted. Due to the duplication of documents, there are concerns with the volume of storage used. (Medium) 		<p>Final Report issued 14 July 2023.</p> <p>Management have confirmed that:</p> <ul style="list-style-type: none"> • A draft data storage policy is expected for the end of December with a revised target implementation date set. • Significant effort has been identified as necessary to fully implement the recommendation relating to confidential data. Mitigating actions are in place and audit capabilities to report on user access are being investigated, with a revised target implementation date set. • O365 / Outlook now defaults to SharePoint / OneDrive attachments to avoid attachments. Plans are in place to share guidance on document storage during period Jan- March 24 and on an ongoing basis with support docs on intranet. The implementation date has been revised to 31 March 2023. • The development of retention schedules for services is being led by Information Governance. <p>The target implementation dates for two medium priority recommendations have not yet been reached.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
4	School Thematic Reviews – Value for Money – Community Special School	The audit reviewed and appraised the adequacy and effectiveness of controls and procedures in place to achieve value for money in accordance with the Scheme for Financing Schools, Local Authority guidance and best practice.	Reasonable	0	0	5	3
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>A contract register is in place and has assisted the Senior Business Leader to understand the cost implications of terminating three contracts and assessing value for money of the intended combined replacements and the timescales involved.</p>		<ul style="list-style-type: none"> • Budget Approval: Records document that the Governing Body approved the budget on 09/05/22, however the evidencing Governing Body approval could not be provided. (Medium) • School Development Plan: The School Development Plan did not include the costs associated with improvement actions. (Medium) • Financial Procedures Manual: The School Financial Procedures Manual was out of date. (Medium) • Contracts and Tendering: Three cases were identified where expenditure exceeded £10k. In the first instance, emergency repairs were approved by the Chair and Vice Chair, but approval was not recorded in subsequent minutes. In two other cases, services were procured from preferred suppliers. However, minutes supporting the decision as being authorised by the Governing Body were not available. (Medium) • Legal Services: Several contracts are in place, but legal advice had not been sought when these contracts were entered into. In addition, minutes were not provided to evidence contract approval by the Governing Body. (Medium) 		<p>Final Report issued 20 July 2023.</p> <p>The following update has been received from management.</p> <p>Budget Approval: Management confirmed that a meeting had been added to the Governors calendar to ensure Governing Body approval of the budget is recorded prior to its submission to Northumberland County Council. The target implementation Date has been revised to 31 May 2024</p> <p>School Development Plan: A costings document was provided showing costs associated with School Development plan actions.</p> <p>Financial Procedures Manual: New FPM has been completed and agreed by the Governing Body.</p> <p>Contracts and Tendering: Minutes have been provided showing example exceptions being agreed and approved by the Governing Body.</p> <p>Legal Services: Early discussions have begun concerning new specific contracts and legal advice will be sort at an appropriate time.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
5	Payroll	The audit objective was to review and appraise the adequacy and effectiveness of controls established in relation to the payroll system and processes.	Reasonable	0	0	2	3
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>The control framework has been strengthened by additional quality assurance checks for each payroll run.</p>		<ul style="list-style-type: none"> • Employee Establishment Listing Data: Information for new additions or amendments to the establishment listing was not always provided in the same format, and confirmation that data had been checked was not provided. Staff highlighted that not all required information was provided leading to additional requests for information. (Medium) • Allowance and Overtime Payment Administration: Reconciliations were not performed to ensure data within allowance and overtime spreadsheets were accurate to data within the Office 365 data flow file management system, and the data uploaded to Oracle for payment. (Medium) 		<p>Final Report issued 18 August 2023.</p> <p>Both recommendations have been self-certified as implemented by management.</p> <p>Internal Audit has undertaken evidence checking and can confirm both recommendations have been implemented.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
6	IS Business Continuity & Disaster Recovery	To review and evaluate the design, implementation and effectiveness of Information Services' Business Continuity (BC) and Disaster Recovery (DR) arrangements to minimise any disruption to the computer processing of business-critical systems.	Limited	0	3	3	2
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>Information Services (IS) has procured Disaster Recovery as a Service (DRaaS) from ProAct, the same supplier who also provides the Authority with a corporate offsite backup solution. This service should provide the Authority with an effective DR solution as ProAct will use the data they already hold, to ensure data can be restored in a timely manner minimising the level of disruption. DRaaS is currently being tested by IS.</p>		<ul style="list-style-type: none"> • Business Impact Analysis (BIA): The BIA obtained from IS was a draft document dated February 2019. The BIA needed updating to reflect changes in the back up and DR solutions in place. The BIA should also be updated to reflect the decommissioning of telephony system and changes to the remote access systems. (High) • Business Continuity Plan (BCP): The IS BCP was issued in 2019 and evidence could not be provided that the plan was subject to an approval process or that the plan had been reviewed since it was first issued. In addition, the BCP contained an Emergency Contact List, but required updating. (High) • Disaster Recovery (DR) Plan: IS did not have a DR plan in place. (High) • BCP Training: Employees potentially responsible for executing the BCP had not received training. (Medium) • BCP Testing: It was not clear that BCPs were effective, as they had not been subjected to formal testing. (Medium) • High Availability Testing: High Availability describes systems that are required to be dependable enough to operate continuously without failing. Testing the high availability functionality applied to devices across the corporate network was not in place. (Medium) 		<p>Final Report issued 28 September 2023.</p> <p>The target implementation dates for the six agreed recommendations have not yet been reached.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
7	Cyber Security	To determine whether the Authority has appropriate cyber security controls in place, to protect its information systems and data, and minimise the potential disruption to service delivery caused by a cyber-attack.	Limited	0	2	5	1
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>Good controls were found to be in place to protect data whilst in transit and at rest.</p>		<ul style="list-style-type: none"> • Cyber Strategy: A formally documented and approved cyber strategy was not in place. (High) • Cyber Security Awareness: Current ICT policies did not specifically reference or raise the profile of cyber security. In addition, a training and awareness programme had not yet been implemented. (Medium) • Datacentre Access: Access lists to the Darlington Data Centre included at least one former IS member of staff. (Medium) • Staff Cyber Training: Computer based cyber security training was available on the Learning Together platform, but it is not mandatory. As of January 2023, only 162 employees had completed the training. (Medium) • Vulnerabilities: Vulnerabilities were not being addressed in a timely manner. The target is 14 days to resolve all high and critical vulnerabilities. At the time of the audit, there were 117 'critical' and 'high' vulnerabilities older than 14 days. (Medium) • Local software Installs: Improvements were identified relating to ensuring software can only be installed on devices by administrators. (Medium) • Cyber Incident Response: The Cyber Incident Response Plan was created in June 2022 but remained in draft. Playbooks for various cyber-attacks had been devised but not tested and approved. (High) 		<p>Final Report issued 28 September 2023.</p> <p>Management have confirmed that in respect of high priority recommendations:</p> <ul style="list-style-type: none"> • The Cyber Strategy has been formalised and approved by Security Board; and • Cyber Incident Response Plan has been tested using a recent incident. Playbooks are now in place and have been tested several times, with final testing expected to be completed shortly. <p>Management have confirmed that in respect of medium priority recommendations:</p> <ul style="list-style-type: none"> • Work is progressing to block downloads of all executables through web filtering software. However, the recommendation is not yet fully implemented <p>The target implementation dates for three medium priority recommendations have not yet been reached.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
8	IS Retrieval and Access Rights	To review and appraise the adequacy and effectiveness of controls established in relation to Retrieval and Access Rights, designed to manage the risk of unauthorised access to the County Council's information systems	Limited	0	0	14	4
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>A corporate offsite backup solution ensures data can be restored in timely manner.</p> <p>Page 88</p>		<ul style="list-style-type: none"> • Domain Controllers (DCs): Plans were required to ensure that all Domain Controller servers (DCs) were suitably protected, as two were approaching end of life status. (Medium) • Domain joined servers: Liaison was required with a third party supplier to ensure timely patching of specific servers. (Medium) • Domain Administrators: A review of administrator accounts and a generic account was required, to ensure that only activities commensurate with business need can be performed. (Medium x 2) • Administrator Groups: A review of permissions applied to IS employees and domain administrator accounts was required to ensure they continue to meet business need. (Medium) • Third Party Access: Recommendations were agreed relating to applying multi-factor authentication to all third party access and a review of all third party accounts to ensure consistent secure access. (Medium x 2) • Stale Accounts: A review of user accounts and strengthening of ongoing housekeeping arrangements were required. (Medium x 2) 		<p>Final Report issued 28 September 2023.</p> <p>Management confirmed that the two DCs identified have been replaced. The service has provided evidence to Internal Audit and implementation of this recommendation has been confirmed.</p> <p>The target implementation dates for eleven medium priority recommendations have not yet been reached.</p>			

	<ul style="list-style-type: none">• Passwords: Two recommendations were agreed to strengthen password controls across the organisation. (Medium x 2)• Audit Logging: Two recommendations were agreed to strengthen arrangements for audit logging of changes and access to servers and client machines. (Medium x 2)• Security Incident Events Management (SIEM) System: Training of additional employees in this system was required, in order to help ensure no single points of failure in the service. (Medium)	
--	---	--

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
9	Borderlands - Governance Arrangements over Accountable Body Status	To provide assurance to Northumberland County Council, in its capacity as the Accountable Body for funding relating to projects located in England, that the Borderlands Programme Management Office have put in place appropriate systems to ensure the effective management and delivery of the Deal and its programmes and projects.	Reasonable	0	0	5	0
Good Practice Highlighted		Main Issues Identified and Priority of Recommendations		Progress Made/Action Taken			
<p>Governance processes were found to be well documented and useful information was captured in the Programme Handbook. Minutes of the Partnership Board and the Economic Forum meetings were published and available through the internet.</p>		<ul style="list-style-type: none"> • Minutes of Meetings: A recommendation was agreed relating to ensuring that minutes of meetings are retained consistently, in accordance with agreed requirements. (Medium) • Group Responsibilities: There were instances where processes or actions required in the Borderlands governance documentation were not being followed and governance documentation may need revised to ensure they remain fit for purpose. (Medium) • Code of Conduct: Signed Code of Conduct forms were not located for all members of the Economic Forum. (Medium) • Project Inspections: Borderlands Inclusive Growth Deal Programme Handbook states Project Inspections will be undertaken on an annual basis but these had not taken place. (Medium) • Project Audits: Project audits had not taken place. The Programme Handbook states 'As set out in the funding agreement, each project in receipt of Borderlands funding should provide an auditors review confirming that the project outcomes have been successfully achieved each year and at the end of the project, unless agreed in writing with the PMO and Accountable Body'. (Medium) 		<p>Final Report issued 29 September 2023. Management have confirmed that:</p> <ul style="list-style-type: none"> • Progress has been made in collecting Code of Conduct forms with only one now outstanding and a revised target implementation date of 31 December 2023 was agreed. • Project Inspections for the two currently live projects have been scheduled to be completed during 2024 and a revised target implementation date of 31 August 2024 was agreed • Management has provided evidence of the implementation of the recommendation relating to Project Audits. This is confirmed as implemented by Internal Audit. <p>The target implementation dates for the remaining two medium priority recommendations have not yet been reached.</p>			

	Audit Title	Audit Objectives	Assurance Opinion	Recommendations			
				Critical	High	Medium	Low
10	School Thematic Reviews – Value for Money – Central Briefing Note	<p>Internal Audit includes work within its annual plan to undertake reviews, on a thematic basis, to assess the application of controls associated with the discharge of responsibilities relating to delegated school budgets. The audit reviewed and appraised the adequacy and effectiveness of controls and procedures in place to achieve value for money in accordance with the Scheme for Financing Schools, Local Authority guidance and best practice.</p> <p>The briefing note summarised the findings from the five sample schools visited as part of the Value for Money thematic reviews and was provided to the Executive Director – Transformation and Resources and the Executive Director – Children, Young People & Education.</p>	n/a	0	0	0	0
P S S	Good Practice Highlighted	Main Issues Identified and Priority of Recommendations	Progress Made/Action Taken				
	<p>The review concluded that there was a generally sound system of control in place in most of the areas examined. In each of the five schools it was the opinion of Internal Audit that the framework of internal control provides Reasonable Assurance in relation to those areas covered.</p>	<p>The results of three of the schools visited are presented above in this report and the findings from the first two school visits completed were presented in the Key Outcomes from Internal Audit Assignments (November 2022 – April 2023) report presented to Audit Committee in July 2023. As recommendations had been agreed within individual reports issued to each of the schools visited they were not repeated within this briefing note.</p> <p>There were several common issues identified where similar recommendations were made across the majority of schools. This included school development plans not including costs associated with improvement actions, evidence of a monthly review of budget reports not being recorded, a lack of a contract register in place, and occasions where contract documentation was not submitted to the School's legal advisor for review before entering into a commitment.</p>	<p>Briefing Note issued 10 October 2023.</p> <p>To highlight common issues identified during the visits a Control Checklist will be sent out to all schools. The checklist can be used by schools to undertake a self-assessment of their own control arrangements in relation to the areas covered by this review.</p>				

5 Evidence Checking and Progress with Implementation of Recommendations

- 5.1 For recommendations where a Reasonable Assurance opinion has been issued Internal Audit evidence check that 'critical', 'high' and 'medium' priority recommendations have been implemented, once self-certified as implemented by management. For audits where a Limited Assurance opinion has been provided, a follow-up audit is included in the following year's Strategic Audit Plan and full implementation and embeddedness of recommendations will be evidence checked at the time of the follow up. In these cases, prior to the undertaking of follow-up reviews, managers will be required to self-certify that 'critical', 'high' and 'medium' priority recommendations have been implemented.
- 5.2 Internal Audit reports issued during the period May 2023 to October 2023 included 6 'high' priority recommendations and 45 'medium' priority recommendations. There were no 'critical' recommendations issued in the period under review. Of these recommendations issued, the 6 'high' priority recommendations and 28 of the 'medium' priority recommendations related to audits receiving a Limited Assurance opinion, for which follow up reviews will be included within the 2024/25 Strategic Audit Plan.
- 5.3 Of the remaining 17 medium priority recommendations,
- 10 have been self-certified as implemented by management. Internal Audit has undertaken evidence checking in relation to 5 of these recommendations and can confirm implementation in all cases.
 - For 5 recommendations, progress has been made with a revised target date for full implementation provided.
 - The target dates for implementation of the remaining 2 recommendations have not yet been reached.
- 5.4 A new system for the monitoring and reporting of Internal Audit recommendation implementation continues to be developed with Information Services and is planned to be finalised and implemented during 2023/24. This will enable Internal Audit to monitor and report on the implementation of Internal Audit recommendations more effectively in future reports to Audit Committee. Testing of the system is currently being undertaken and if this is successful it is intended to trial the system with a small number of services who have volunteered to take part in a pilot exercise.

6 Programme Assurance, Grant Certification and Investigation Work Undertaken

Area of Work	Summary of Work Undertaken
Grant Certification – Supporting Families	<p>Programme of targeted intervention – Government pays local authorities for each family that meet set criteria. 2 returns were submitted by the Council in the period:</p> <ul style="list-style-type: none"> • June 2023 Return Certification Value £0.0344m • August 2023 Return Certification Value £0.376m
Grant Certification – Bus Service Operators Grant	<p>Government grant to support rural bus services.</p> <p>Return Certification Value £0.500m</p>
Grant Certification – Local Transport Plan	<p>Capital funding for highways projects.</p> <p>Return Certification Value £23.426m</p>
Grant Certification – Home Upgrade Grant Phase 1 (HUG1)	<p>The primary purpose of the Home Upgrade Grant Phase 1 (HUG1) Grant, part of the Sustainable Warmth competition funding, is to raise the energy efficiency rating of low-income and low EPC rated homes (those with D, E, F or G). The funding will also support low-income households with the transition to low-carbon heating.</p> <p>Return Certification Value £0.103m</p>
Grant Certification – Family Hubs Capital Grant	<p>Family Hubs and Start for Life programme P1 & P2 Capital Grant. This accompanied the larger Family Hubs and Start for Life programme grant. The programme is to investment in essential services in the crucial Start for Life period from conception to age two, and services which support parents to care for and interact with their children. The programme is part of delivering the government’s commitments as set out in ‘The Best Start for Life: A Vision for the 1,001 Critical Days’ and builds on delivery of the Healthy Child Programme 0-19 public health services, supporting babies, children, and families.</p> <p>Return Certification Value £0.036m</p>
Grant Certification – Northumberland Communities Together Grant	<p>Northumberland Communities Together community hubs programme is a project to build capacity, partnership, and shared ambitious outcomes for communities and residents.</p>

Area of Work	Summary of Work Undertaken
	<p>Ultimately the programme will assist communities and groups to be better connected, ready to respond to need and opportunity and be more resilient.</p> <p>Return Certification Value £0.495m</p>
<p>Grant Certification – Disabled Facilities Grant (DFG)</p>	<p>DFG is ring-fenced within the Better Care Fund. DFG funding is primarily for the provision of home adaptations supporting the Council’s statutory duty to provide adaptations to the homes of eligible residents.</p> <p>Return Certification Value £3.329m</p>
<p>National Fraud Initiative Payroll investigation</p>	<p>Investigation into potentially fraudulent payroll match identified as part of the National Fraud Initiative which appears to be a case of dual employment. Briefing note issued.</p>
<p>Project Assurance - New Daily Cash Authorisation System.</p>	<p>An overview of controls within the new Treasury Management system for preparing, reviewing and authorising daily cash transfers. A small number of recommendations were made to improve the controls within the system.</p>
<p>Participation in the Cabinet Office’s National Fraud Initiative</p>	<p>Northumberland County Council participates in the National Fraud Initiative data matching exercise to assist in the prevention and detection of fraud and are required to provide sets of data to the Minister for the Cabinet Office for matching for each exercise.</p> <p>The Cabinet Office released results of the latest biennial National Fraud Initiative (NFI) data-matching exercise matches earlier this year. Internal Audit have allocated the appropriate matches to the relevant services for investigation and this exercise is ongoing.</p> <p>Internal Audit have recently commenced the annual Council Tax Single Person Discount NFI data-match and are in the process of contacting relevant officers to provide the required data sets for upload in December 2023.</p>
<p>Internal Audit reviews in relation to potentially unlawful payments following s114A report</p>	<p>A number of additional reviews were completed at the request of the Executive Director – Transformation and Resources (s151 Officer) in relation to potentially unlawful payments following the s114A report.</p>



Northumberland County Council

Audit Committee

Wednesday, 29 November 2023

Corporate Risk Management Update

Report of Head of Internal Audit and Risk Management

1. **Link to Key Priorities of the Corporate Plan**

Effective risk management and the work of Audit Committee contributes to the achievement of all priorities in the Council's Corporate Plan. In particular, it supports the "Achieving Value for Money" priority of the Corporate Plan 2023-26.

2. **Purpose of report**

The purpose of this report is to provide Audit Committee with an update on the latest position of the corporate risks following review by Executive Team and Cabinet portfolio holders.

3. **Recommendations**

3.1 It is recommended that Audit Committee note the contents of the report.

4. **Background**

4.1 It is a statutory responsibility for local authorities to ensure that a sound system of internal control is in place, which includes effective arrangements for the management of risk (Accounts and Audit Regulations 2015). The Authority complies with this requirement and has a risk management process which was developed in accordance with best practice and consulted upon with Audit Committee. It is designed to ensure that risks to the Authority's business are properly identified, managed, and monitored by appropriate senior officers within the organisation.

4.2 As part of the County Council's corporate governance arrangements, there is an established approach to corporate risk management with an equivalent approach being cascaded through all levels of the risk management hierarchy. The risk management hierarchy identifies, monitors and manages risk at three key levels:

- a) Corporate level;
- b) Service Strategic level; and
- c) Service Operational level.

- 4.3 Corporate risks are agreed against the ‘exceptionality test’, i.e., risks that are exceptional in nature, or which could have a major impact on the whole organisation and are ‘owned’ and managed by a nominated officer from Executive Management Team and the designated Cabinet Member with relevant portfolio responsibility.
- 4.4 Following the senior management restructure, the opportunity has been taken to undertake a fundamental review of our corporate risks. Those risks proposed to be managed at a corporate level and owned by Executive Management Team officers and designated Cabinet Members are scheduled to be presented to Cabinet for agreement on 12 December 2023. Once agreed, a full updated corporate risk register will be presented to the next meeting of Audit Committee, scheduled for 31 January 2024.

5. Options and reasons for the recommendations

- 5.1 The following decision options are available for consideration by Audit Committee:

Option 1

Audit Committee notes the Corporate Risk Management Update provided.

Option 2

Audit Committee does not agree to note the Corporate Risk Management Update provided.

Option 1 is the recommended option. Audit Committee should receive and agree this report in accordance with its responsibility for monitoring the effective development and operation of risk management in the Council.

6. Implications

Policy	Effective risk management supports the effective implementation of all policy decisions.
Finance and value for money	Effective risk management will help ensure that the County Council is better able to manage its resources and deliver value for money.
Legal	The Accounts and Audit Regulations 2015 place a responsibility upon all local authorities to ensure that they have a sound system of internal control which includes effective arrangements for the management of risk.
Procurement	There are no specific procurement implications within this report.
Human resources	There are no specific human resources implications within this report.

Property	There are no specific property implications within this report.
The Equalities Act: is a full impact assessment required and attached?	No - no equalities issues identified Equality Impact Assessment not required.
Risk assessment	Embedding risk management will reduce the level of risks that may prevent the achievement of the County Council's objectives.
Crime and disorder	There are no specific crime and disorder implications within this report.
Customer considerations	There are no specific customer consideration implications within this report.
Carbon reduction	There are no specific carbon reduction implications within this report.
Health and wellbeing	There are no specific health and wellbeing implications within this report.
Wards	(All Wards);

7. Background papers

The Accounts and Audit Regulations 2015, April 2015.

8. Links to other key reports already published

None

9. Author and Contact Details

Kevin McDonald, Head of Internal Audit and Risk Management (Chief Internal Auditor)

Email: Kevin.McDonald@northumberland.gov.uk

This page is intentionally left blank



Northumberland County Council

AUDIT COMMITTEE

29 NOVEMBER 2023

Treasury Management Mid-Year Review Report for the Period 1 April to 30 September 2023

Report of Councillor(s) Richard Wearmouth – Deputy Leader and Portfolio Holder for Corporate Services

Responsible Officer(s): Jan Willis, Executive Director of Transformation and Resources.

1. Purpose of the Report

This report provides a mid-year review of the activities of the Treasury Management function for the period 1 April to 30 September 2023, and performance against the Treasury Management Strategy Statement (TMSS) 2023-24 - as approved by the County Council on 22 February 2023. The report provides a review of borrowing and investment performance for the period set in the context of the general economic conditions prevailing so far during the year. It also reviews specific Treasury Management prudential indicators defined by the (CIPFA) Treasury Management Code of Practice and CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code), and approved by Council in the TMSS.

2. Recommendations

It is recommended that Members:

- Receive the report and note the performance of the Treasury Management function from 1 April to 30 September 2023.
- Present the report to County Council.

3. Link to the Corporate Plan

This report is aligned to the priorities outlined in the Corporate Plan 2023-2026, being 'Achieving Value for Money', 'Tackling Inequalities' and 'Driving Economic Growth'.

4. Key Issues

The Local Government Act 2003 (the Act) and supporting regulations require the Council to produce a mid-year review of treasury management activities and actual performance against prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

The report provides a review of the Treasury Management activities for the six-month period from 1 April to 30 September 2023 and sets out performance against the Treasury Management Strategy Statement for 2023-24.

TREASURY MANAGEMENT MID-YEAR REVIEW REPORT FOR THE PERIOD 1 APRIL TO 30 SEPTEMBER 2023

1. INTRODUCTION

1.1. Background

This Treasury Management mid-year report provides a review of the activities of the Treasury Management function for the period 1 April to 30 September 2023, and performance against the Treasury Management Strategy Statement (TMSS) for 2023-24. Its production and submission to Council is a requirement of the CIPFA Code of Practice on Treasury Management.

Treasury management is defined as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, with a main aim of providing sufficient liquidity, ahead of the achievement of the best possible investment returns.

The second main function of the treasury management service is to arrange the funding of the Council’s capital programme. The capital programme provides a guide to the borrowing need of the Council, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer-term cash may involve arranging long or short-term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet Council risk or cost objective.

1.2. Statutory and Regulatory Requirements

The Local Government Act 2003 (the Act) and supporting Regulations requires the Council to produce a mid-year review of treasury management activities and the actual performance against prudential and treasury indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important as it provides details of the performance of the treasury management activities and highlights compliance with the Council’s policies previously approved by Members.

1.3. Basis and Content of Treasury Management Mid-Year Review Report for 2023-24

The report covers:

- Overview of the Treasury Management Strategy for the financial year 2023-24.

- Economic conditions and interest rates for the period 1 April to 30 September 2023.
- Overview of the treasury position on 30 September 2023.
- Borrowing activity.
- Investment activity; and,
- Treasury management limits and prudential indicators position.

2. BACKGROUND - TREASURY MANAGEMENT STRATEGY FOR 2023-24

2.1. Overview of the 2023-24 Strategy (prepared in November 2022)

The expectation for interest rates within the Treasury Management Strategy Statement for 2023-24 was for UK Bank Rate (often referred to as Base Rate) to remain at 4.50% for most of year and decrease to 4.00% in the final quarter (January 2024 – March 2024). Longer term borrowing rates were forecast to decrease each quarter by 0.10% to 0.20% throughout the year.

Following the inflation and subsequent interest rate increases experienced in 2022-23 it was anticipated that the Bank Rate would not surpass 4.50% and that the Bank of England would be keen to loosen monetary policy when the worst of the inflationary pressures had lessened. However, the timing was uncertain due to the cost-of-living squeeze and wage increases running at 5.70%.

Against this backdrop of market volatility and high interest rates, along with the risks in the economic forecast, the proposed strategy for 2023-24 was to continue to operate with an under borrowing position - i.e., use investments in lieu of external borrowing – and to meet the remaining external borrowing requirement for the year primarily from medium and shorter term / temporary borrowing (up to 2 years). At that time, the external borrowing requirement for the year was estimated at £170.000 million, after taking into consideration maturing loans of £51.552 million.

2.2. Compliance

All treasury activities met the Treasury indicators set out in the TMSS, and borrowing was within the borrowing limits set by the Council. Throughout the period, all treasury activities have been conducted within the parameters of the TMSS 2023-24, alongside best practice suggested by the CIPFA Treasury Management Code and Central Government.

3. ECONOMIC CONDITIONS AND INTEREST RATES FOR PERIOD 1 APRIL TO 30 SEPTEMBER 2023

3.1. Economy - At 04 October 2023

At the end of 2022-23 inflation in the UK was at 10.4%, this figure dropped to 6.7% by August 2023. This is as a result of a combination of statistical effects, falling energy prices and other factors like easing global cost pressures. Whilst there has been a cooling in the labour market this has still not fed through to an easing in wage growth.

The three-month average of annual pay growth was 8.5% in July 2023 which is still well above the Bank of England’s prediction for it to fall to 6.9% by September 2023.

It is expected that the economy will dip into a mild recession due to the delayed impact of the increased Bank Rate and the phasing out of financial support packages provided by the government during the energy crisis.

UK GDP increased by 0.2% in the period April – June and is estimated to contract in the second quarter of the year by up to 1%.

Bank Rate

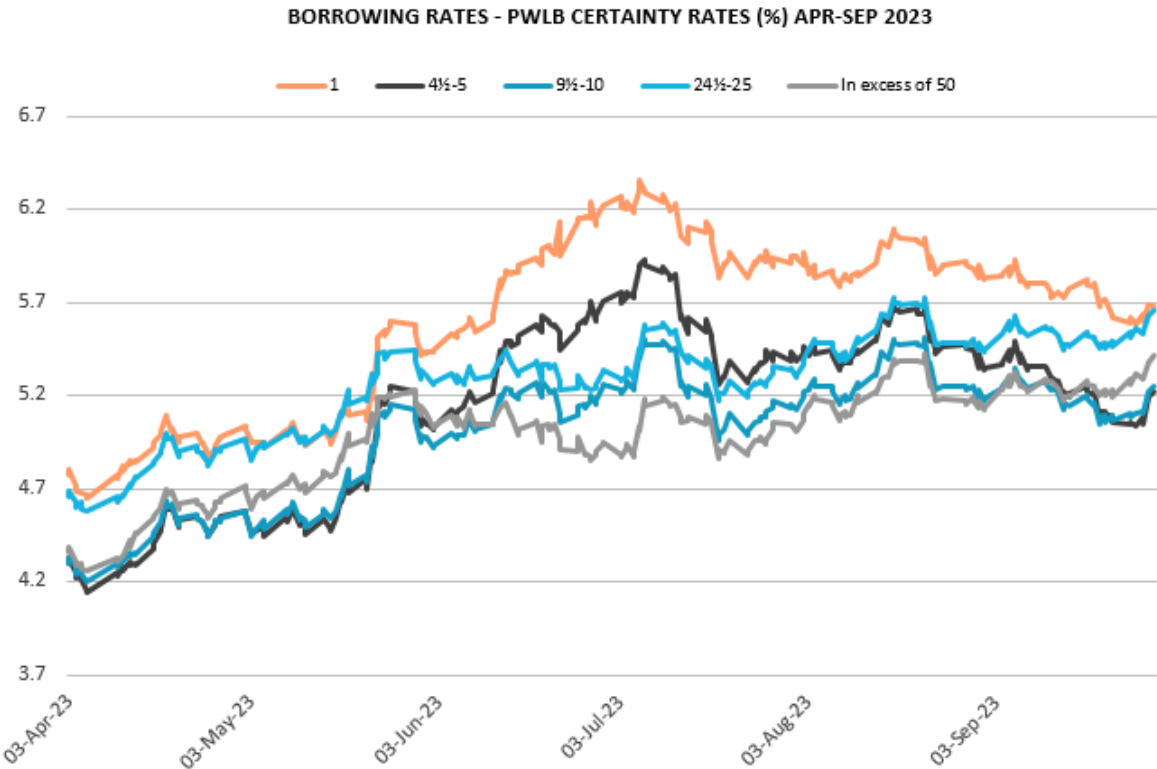
Following the weak August CPI inflation release, the recent loosening of the labour market and the downbeat activity surveys, the Bank of England left interest rates unchanged at 5.25% in September. It is estimated that the Bank Rate will remain at 5.25% until Quarter Ending September 2024 when it will begin to drop.

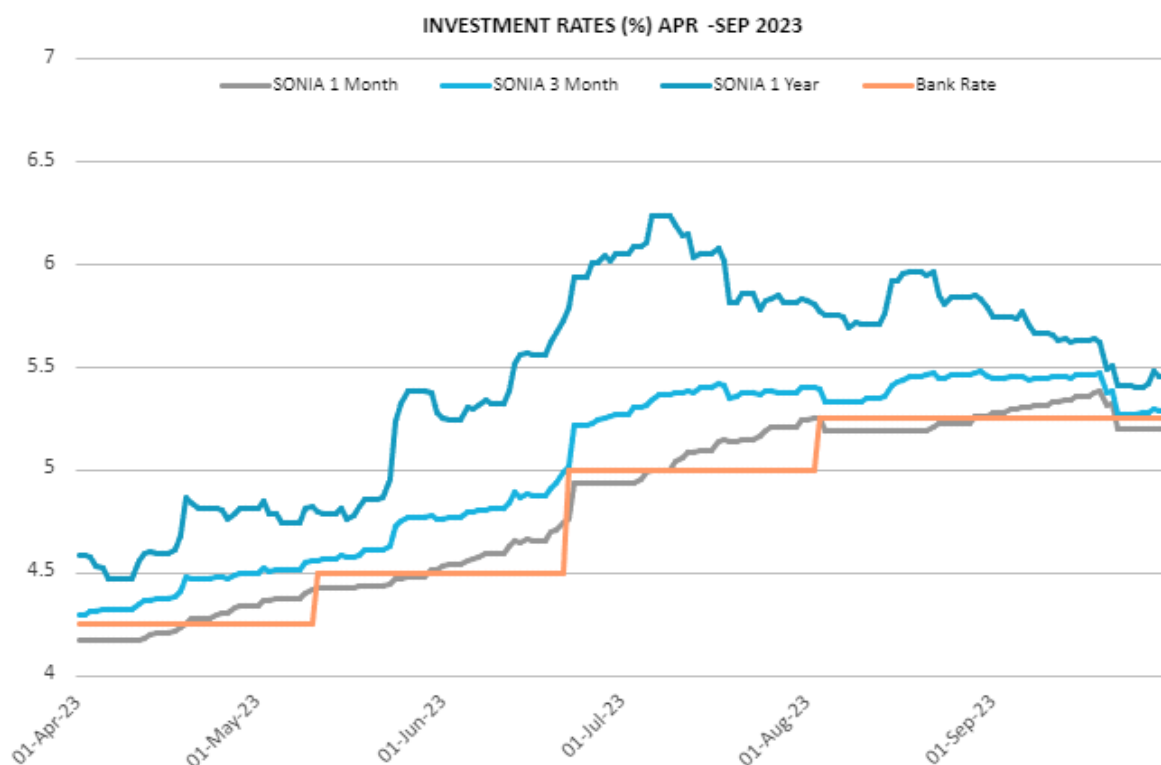
Bond/Gilt Yields and PWLB Rates

The Yield on 10-year Gilts fell from a peak of 4.74% on 17 August to 4.44% on 29 September. This is mainly on the back of investors revising down their interest rate expectations. Even after the recent pullback, the rise in Gilt Yields has exceeded the rise in most other Developed Market Government Yields since the start of the year. The estimate is that once inflation reduces Gilt Yields will reduce.

3.2. Actual Interest Rates 1 April to 30 September 2023

The following graphs show interest rate movements over the period, for various terms of borrowing and investment:





3.3. Forecast Interest Rates

The Council’s treasury advisor, Link Asset Services, current interest forecast (dated 4 October 2023) is shown below:

	Quarter 3 2023-24 (Q/E Dec 2023)	Quarter 4 2023-24 (Q/E Mar 2024)	Quarter 1 2024-25 (Q/E Jun 2024)	Quarter 2 2024-25 (Q/E Sep 2024)
Bank Rate	5.25%	5.25%	5.25%	5.00%
5-year PWLB	5.10%	5.00%	4.90%	4.70%
10-year PWLB	5.00%	4.90%	4.80%	4.60%
25-year PWLB	5.40%	5.20%	5.10%	4.90%
50-year PWLB	5.20%	5.00%	4.90%	4.70%

This was accompanied with the following comments:

“The latest forecast on 25 September sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.”

4. THE PORTFOLIO POSITION AT 30 SEPTEMBER 2023

4.1. Current Borrowing

The Council's debt at the beginning of the year and at 30 September 2023 is shown below:

TABLE 1: BORROWING	Total Principal 1 Apr 2023 £m	Weighted Average Rate %	Total Principal 30 Sep 2023 £m	Weighted Average Rate %
Public Works Loan Board Loans	449.745	2.66	448.725	2.65
LOBOs	176.500	3.95	154.500	3.90
Market / Local Authority (>1 year)*	79.100	3.69	79.100	3.69
Market / Local Authority (<1 year)*	40.000	4.00	40.000	4.00
Salix	0.033	0.00	0.028	0.00
TOTAL EXTERNAL BORROWING	745.378	3.14	722.353	3.11

* Note: above figures are based on the term of loans at their inception

4.2. Current Investments

The table below summarises the investment position at 30 September 2023:

TABLE 2: INVESTMENTS	Total Outstanding 1 Apr 2023 £m	Weighted Average Rate %	Total Outstanding 30 Sep 2023 £m	Weighted Average Rate %
Fixed Term Investments – Long Term (>1 year)*	0.000	0	0.000	0
Fixed Term Investments – Short Term (<1 year)*	35.000	4.32	62.000	5.45
Money Market Funds and Call Accounts	79.450	4.09	56.150	5.33
TOTAL INVESTMENTS (excl. Cash)	114.450	4.16	118.150	5.39

* Note: above figures are based on the term of investments at their inception

5. BORROWING ACTIVITY 2023-24

Cash balances have reduced in the first half of 2023-24, the balance of Money Market Funds at 30 September 2023 was £56.150 million. Interest rates remain high due to high inflation, as a result a decision was taken to minimise external borrowing and instead, wherever possible, increase the reliance on internal borrowing – i.e., use these additional investment balances to support the cash flows associated with the capital programme instead of borrowing externally. There has been no new borrowing taken out in the first half of 2023-24. It is estimated that by the end of Quarter 3 there will be a requirement for new borrowing.

Two reviews of the capital programme, one in June 2023 and another in September 2023, have identified that a sizeable proportion of the original budgeted capital expenditure for 2023-24 will not now be spent until later years (see 7.1 below). The anticipated net borrowing requirement for the year is expected to be lower than the anticipated £170.000 million outlined in the original strategy (see 2.1 above). This is because of reprofiling from 2023-24 into future years. However, this reprofiling has been partially offset by reprofiling from the previous year (2022-23). Based on the latest projections, it is currently estimated that at most a further £160.000 million of external borrowing may now be required within 2023-24. This means overall borrowing is down £32.001 million from the figure outlined in the original strategy (see paragraph 7.3 below). It is expected that the £160.000 million requirement for the year will be covered by shorter term / temporary borrowing.

The forecast reduction in the borrowing requirement of £32.001 million is a temporary position, as some of the capital spend has been reprofiled into later years and will instead impact on future years' borrowing requirements. In addition, the reliance on internal borrowing is becoming unsustainable as the reserves and balances supporting this position have reduced. Therefore, at some point further external loans may be required to replace the reduction in cash. Added to which, the notional saving of borrowing internally, in the form of the foregone investment compared to cost of borrowing externally, is also subject to the volatility of the interest rate environment.

As shown in the table above, total external borrowing has decreased by £23.025 million, from £745.378 million at the start of year to £722.353 million at 30 September 2023. This is due to maturing existing loans and a LOBO loan being recalled. The loan maturities in 2023-24 are estimated to be £73.552 million and due to 2022-23 reprofiling the capital spend funded by borrowing is £16.000 million higher than originally estimated for 2023-24. As a result, it is forecast that additional borrowing of around £160.000 million will be required in the second half of 2023-24 resulting in an overall borrowing position at 31 March 2024 of around £831.825 million.

It should be noted that savings resulting from the reduced levels of borrowing will be partly offset by the higher than expected interest rates payable on those new loans taken out within the year. As a result, is expected to generate an overall saving of around £1.802 million compared to the original interest payable budget for 2023-24 of £27.096 million.

6. INVESTMENT ACTIVITY 2023-24

The Council's investment policy (as set out in the Treasury Management Strategy Statement for 2023-24) is governed by the Communities and Local Government's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by two of the main credit rating agencies (Moody's and Fitch Group), supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

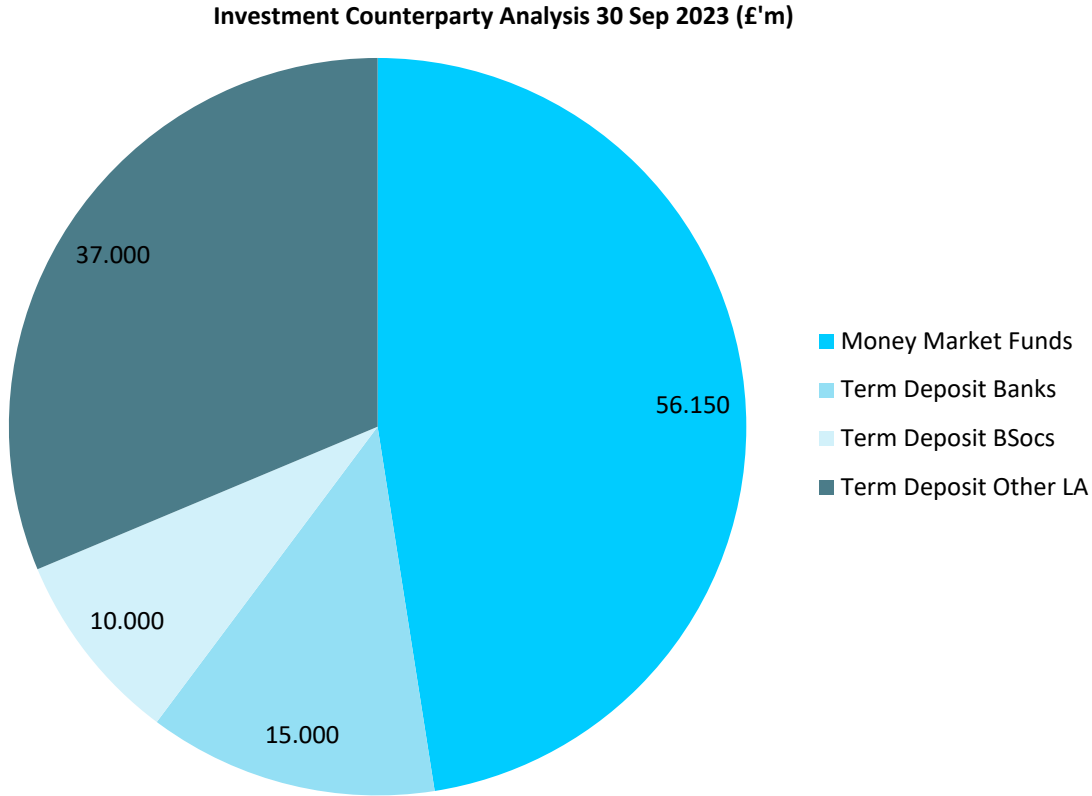
All investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

As identified above, the current policy is to use a significant proportion of available investment balances as 'internal borrowing' to support the financing of the Capital Financing Requirement (CFR).

Overall external investments (excluding cash) have increased slightly during the first six months of the year from £114.450 million to £118.150 million.

Based on the forecast revised capital spend and change in borrowing for the year, investment balances are anticipated to reduce to around £42.686 million by 31 March 2024 - due to the increased utilisation of investment balances to cover the Capital Financing Requirement (CFR) in lieu of borrowing externally.

An analysis of the mid-year investment balance (excluding cash) by counterparty is shown in the following chart:



The internally managed funds earned an overall average rate of return of 5.39% during the first 6 months of 2023-24. Taking into consideration that a significant proportion of funds are being kept liquid to support cash flow and facilitate future internal borrowing requirements, the returns are good compared against the average Sterling Overnight Index Average (SONIA) benchmark indicators of:

- SONIA overnight 4.73%
- SONIA 1 month 4.83%

- SONIA 3 month 5.02%
- SONIA 1 Year 5.44%

The Council's budgeted investment return for 2023-24 was originally £2.800 million (excluding interest of loans to thirds parties). Due to the higher than anticipated interest rates in 2023-24, along with higher than budgeted balances available for investment, returns are estimated to exceed the original budget by £2.477 million.

The above figures are exclusive of interest received on loans from third parties, such as the facilities to Advance Northumberland and Northumbria Healthcare NHS Foundation Trust etc. These loans are made for policy/service reasons, and not day-to-day treasury undertakings in relation to the investment of cash flows.

7. PRUDENTIAL INDICATORS AND TREASURY LIMITS 2023-24

The Prudential Code has been developed by CIPFA. The Code has a central role in capital finance decisions, including borrowing for capital investment. Its key objectives are to provide a framework for local authority finance that will ensure individual authorities' capital expenditure plans are affordable; all external borrowing is within prudent and sustainable levels; and, that treasury management decisions are taken in accordance with good professional practice.

Performance against the approved prudential indicators, as set out in the 2023-24 Treasury Management Strategy Statement, is outlined below. None of the indicators have been exceeded during the year to 30 September 2023.

7.1. Capital Expenditure

This table shows the original approved capital programme (as agreed as part of the MTFP), current expenditure and forecast outturn for the year:

Capital Expenditure	2023-24 Original Estimate £m	2023-24 Current Budget £m	Position 30 Sept 2023 £m	2023-24 Forecast Outturn £m
Adults, Ageing and Wellbeing	4.427	5.380	0.884	3.429
Chief Executive	2.016	2.516	0.994	2.516
Children, Young People & Education	32.622	39.767	5.522	26.778
Place and Regeneration	166.270	250.658	63.069	211.399
Public Health, Inequalities and Stronger Communities	0.800	2.185	1.548	2.085
Transformation and Resources	16.814	23.955	5.941	21.503
TOTAL EXPENDITURE	222.949	324.461	77.958	267.710

7.2. Authorised Limit and Operational Boundary

The authorised limit - is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level.

The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

The table below demonstrates that during 2023-24 the Council has maintained gross borrowing within its authorised limit and operational Boundary.

	Authorised Limit for External Debt £m	Operational Boundary for External Debt £m	Actual 30 September 2023 £m
Borrowing	1,156.913	964.094	722.353
Other Long-Term Liabilities (PFI)	72.813	60.678	62.106
TOTAL EXTERNAL DEBT	1,229.726	1,024.772	784.459

7.3. Limits to Borrowing Activity

One of the key controls over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of Capital Financing Requirement (CFR) [i.e., the underlying need to borrow] in the preceding year plus the estimates of any additional CFR for 2023-24 and next two financial years.

CFR vs Borrowing	2023-24 Original Estimate £m	Position at 30 Sept 2023 £m	2023-24 Forecast Outturn £m
Borrowing	863.826	722.353	831.825
Other Long-Term Liabilities (PFI)	61.187	62.106	62.887
TOTAL EXTERNAL DEBT	925.013	784.459	894.712
CFR	1,172.380	N/A	1,157.743

The Executive Director of Transformation and Resources reports that no difficulties are envisaged for the current or future years in complying with this indicator.

The purpose of the following limit is to restrain the activity of the treasury function within certain limits; thereby managing risk; and reducing the impact of any adverse movement in interest rates.

Interest Rate Exposure	Limit for 2023-24	Actual 30 Sep 2023
Fixed Rate Exposure	0% - 100%	89.20%
Variable Rate Exposure	0% - 100%	10.80%

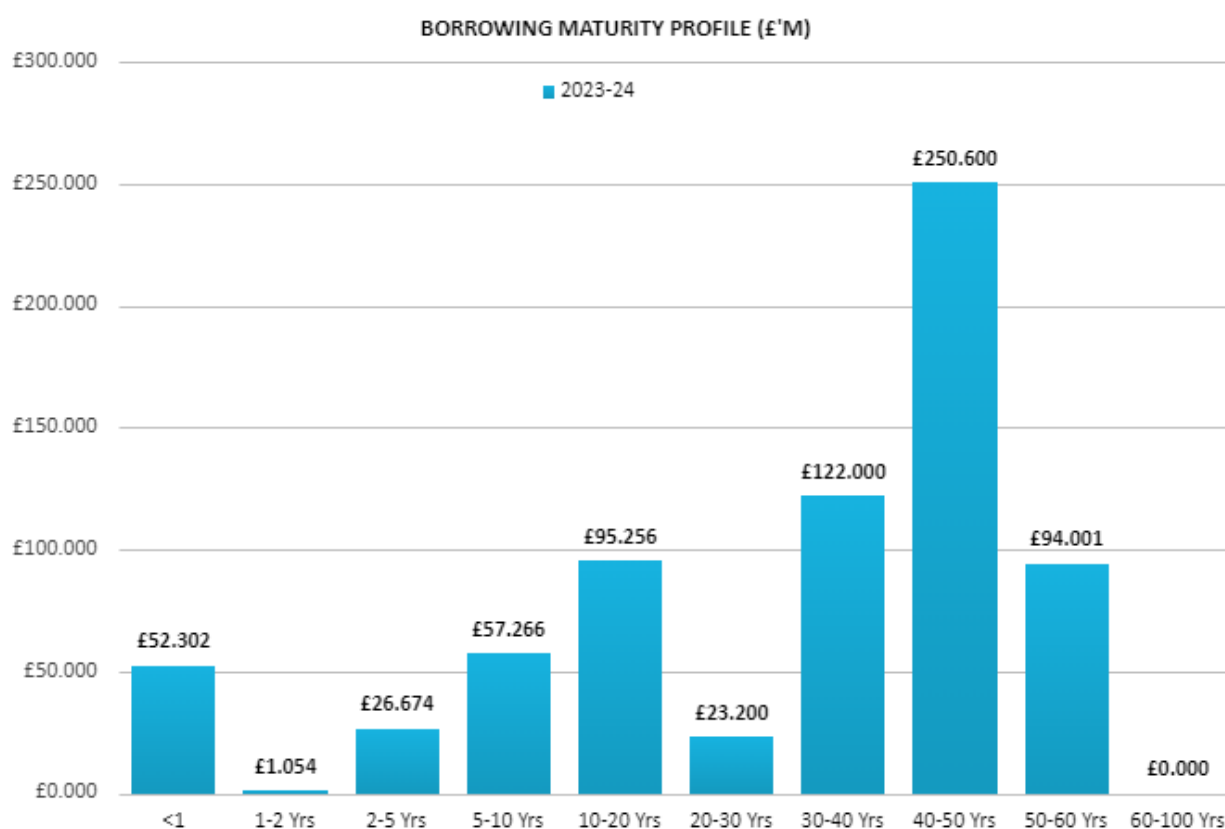
Lender option, borrower option loans (LOBOs) callable within 12 months are classed as variable; if the rate is fixed for a longer period they are classed as fixed. At 30 September 2023 the total of variable rate loans was £78.000 million and is within the set limit.

7.4. Maturity Structure of Borrowing

Measuring maturity structure of borrowing ensures a reasonable spread of maturing debt as a safety mechanism to ensure significant amounts of debt do not mature at a time when interest rates for refinancing the debt may be high.

Maturity Structure	Upper Limit for 2023-24	Actual 30 Sep 2023
Under 12 months	25%	7%
1 year - 2 years	40%	1%
2 years within 5 years	60%	3%
5 years within 10 years	80%	7%
10 years and above	100%	82%

The following graph shows maturity of loans by monetary value. LOBOs are shown as held to maturity. It should however be noted that, given the recent increase in interest rates, there is a possibility that some of these loans may be called.



7.5. Investments for periods longer than 365 days

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

	Limit 2023-2024 £m	Actual Highest £m	Actual 30 Sept 2023 £m
Principal sums invested > 364 days	120.000	0.000	0.000

Implications

Policy

The report provides a half-year review of the Treasury Management activities for 2023-24 and sets out performance against the Treasury Management Strategy Statement for 2023-24. It is aligned to the priorities outlined in the Corporate Plan 2023-26- being 'Achieving Value for Money', 'Tackling Inequalities' and 'Driving Economic Growth'

Finance and value for money

The financial implications of the 2023-24 investment and borrowing transactions have been taken into account within the revenue budget for 2023-24.

Northumberland County Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management within the context of effective risk management, and to employing suitable performance measurement techniques, for example comparison with other members of the CIPFA and Capita benchmarking clubs.

Legal

Under Section 1 of the Local Government Act 2003 (the Act) the Council may borrow money for any purpose relevant to its functions under any enactment, or for the purpose of the prudent management of its financial affairs.

The Act and supporting regulations also require the Council to 'have regard to' the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code and the CIPFA Treasury Management Code of Practice (which were adopted by Northumberland County Council in February 2010).

Procurement

There are no direct procurement implications for the County Council.

Human Resources

There are no direct staffing implications for the County Council.

Property

There are no direct property implications for the County Council.

Equalities

There are no direct equalities implications for the County Council.

(Impact Assessment attached)

Yes No N/A

Risk Assessment	The report highlights the principal financial risks within the Treasury Management function. The identification, monitoring and control of risk are the prime criteria by which the effectiveness of the County Council's Treasury Management activities will be measured. Accordingly, the analysis and reporting of Treasury Management activities will focus on their risk implications for the Council. The investment priority is security and liquidity rather than yield, which is a secondary aim.
Crime & Disorder	There are no Crime and Disorder implications for the County Council.
Customer Consideration	There are no Customer Considerations for the County Council.
Carbon reduction	There are no carbon reduction implications for the County Council.
Health & Wellbeing	There are no health and wellbeing implications for the County Council.
Wards	All divisions.

Background Papers:

Treasury Management Strategy Statement for 2023-24 – County Council 22 February 2023

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance notes (revised 2011)

CIPFA Prudential Code for Capital Finance in Local Authorities

Guidance on Local Government Investments The Local Government Act 2003

Local Authorities (Capital Finance and Accounting) Regulations 2012 (S.I.2012/265)

Author and Contact Details

Gemma Simpson – Technical Accountant
gemma.simpson@northumberland.gov.uk

This page is intentionally left blank

Audit Completion Report

Northumberland County Council
Year ended 31 March 2022

November 2023

Page 115



Contents

01	Executive summary
02	Status of the audit
03	Audit approach
04	Significant findings
05	Internal control recommendations
06	Summary of misstatements
07	Value for Money

Page
116

Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit Committee Members
Northumberland County Council
County Hall
Morpeth
Northumberland
NE61 2EF

November 2023

Dear Committee Members

Audit Completion Report – year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 22 November 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We noted in our Audit Strategy Memorandum that our risk assessment in respect of VFM work was not complete; following completion of this risk assessment, we did not identify any significant risks of weaknesses in arrangements.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07813 752 053.

Yours faithfully



Cameron Waddell
Partner
Mazars LLP

Mazars LLP
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

01

Section 01:

Executive summary

Page 118

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have made good progress in completing our audit in respect of the financial statements for the year ended 31 March 2022. At the date of this report there remain audit procedures that are in progress and areas where we are continuing to work with officers to resolve audit queries and agree amendments to the financial statements. We will provide an update to you in relation to the matters outstanding in a follow-up letter.

It is worth noting that the timing of the audit has been adversely impacted by several factors, including issues with valuations of the Council and Group's property assets, delays in completing the Advance Northumberland Limited audit, the national infrastructure issue (page) and the national issue in relations to pensions (page). We are also currently discussing with management our VFM considerations for (see Section 07). We will provide the Audit Committee with a verbal update on each area at its forthcoming meeting.



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements, however, this is subject to the conclusion of matters which remain outstanding at the time of issuing this report; further detail is set out in sections 2 and 4.



Value for Money

We anticipate having significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received from the National Audit Office their list of non-material sampled components for WGA. We are unable to discharge our full responsibilities until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No questions or objections have been received.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

02












Section 02:

Status of the audit

Page 120

2. Status of the audit

Our work is on-going. At present, there are currently no matters of which we are aware that would require modification of our audit opinion. However, this is subject to completion of work in the areas detailed below.

Audit area	Status	Description of the outstanding matters	
Infrastructure		We are awaiting responses to a small number of queries.	
Net defined benefit liability (pensions)		Work is ongoing in this area	 Likely to result in material adjustment or significant change to disclosures within the financial statements.
Property, Plant and Equipment		We are awaiting responses to a small number of queries.	
Value for Money		Work ongoing in relation to 2019/20, 2020/21 and 2021/22 issues	 Potential to result in material adjustment or significant change to disclosures within the financial statements.
Group accounts		We have not yet fully completed our testing in relation to the group accounts.	
Other		Resolution of a small number of queries in relation to other areas of the accounts and Annual Governance Statement, including disclosures in relation to exit packages.	 Not considered likely to result in material adjustment or change to disclosures within the financial statements.
Review procedures		Review procedures are on-going, namely: - engagement Quality Control Review: required due to the size of the Council; - review of the final revised accounts by our central technical team.	
Closing procedures		Review of the revised financial statements and consideration of any post balance sheet events.	



03

Section 03: **Audit approach**

Page 122

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in November 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £18.735 million for the Group and £18.032 million for the Council using a benchmark of 1.8% of gross revenue expenditure. Our updated assessment of materiality, based on the draft financial statements is £19.028 million for the Group and £18.468 million for the Council, using the same benchmark; we will update this Committee if our final materiality differs significantly upon receipt and review of the revised final financial statements.

Page 123

Use of experts

There have been no significant changes to our planned approach since issuing our Audit Strategy Memorandum.

Item of account	Management's expert	Our expert
Defined benefit net liability	AON Hewitt (Actuary)	Report commissioned by the National Audit Office from PwC in respect of actuaries nationally.
Property, Plant and Equipment (PPE)	Bruton Knowles (Valuer)	We take into account relevant information available from third parties.
Shared Waste Private Finance Initiative (PFI) facility	Hilco Appraisal Ltd	No expert assessed as being required.
Financial instrument disclosures	Link Asset Services	No expert assessed as being required.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

3. Audit approach

Group audit approach

Our group audit approach remains unchanged.

Group component	Approach adopted	Key points or other matters to report
Northumberland County Council (the parent)	●	None.
Advance Northumberland Group Limited	●	Full scope audit – reliance on the component auditor. The component auditor is Mazars LLP (partner based out of our Edinburgh office).

Page 124

● **Full audit**
Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

● **Audit of balances and/or disclosures**
Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

● **Specific audit procedures**
Performance of specific audit procedures on the component's financial information

● **Review procedures**
Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

● **Desktop analytical review procedures**
Desktop analytical review procedures carried out on non-significant consolidated components

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

04

Section 04: **Significant findings**

Page 125

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 16 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risk – management override of controls

Management override of controls.	<p>Description of the risk</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
	<p>Audit conclusion</p> <p>There are no significant issues arising from our work that we are required to report to you.</p>



4. Significant findings – significant risk: net defined benefit liability (pensions)

Net defined benefit liability (pensions)	Description of the risk
	<p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	How we addressed this risk
	<p>We:</p> <ul style="list-style-type: none">critically evaluated the Council’s arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; andchallenged the reasonableness of the Actuary’s assumptions that underpin the relevant entries made in the financial statements, through the use of an expert commissioned by the National Audit Office;critically assessed the competency, objectivity and independence of the Actuary;liaised with the auditors of the Pension Fund to gain assurance that the overall IAS19 procedures and controls in place at the Pension Fund are operating effectively;compared assumptions to expected ranges, using information provided by the consulting actuary engaged by the National Audit Office; andagreed data in the Actuary’s valuation report for accounting purposes to the relevant accounting entries and disclosures in the Council’s financial statements.
	Audit conclusion
	<p>We discussed with management the material variance between estimated assets used by the Actuary and the actual assets at the year-end based on the draft Pension Fund accounts. It became apparent that due to the timing of the Actuary’s report production, that it was not based on the latest valuation data used by the Pension Fund, therefore, the Council requested a revised pensions report. This resulted in a reduction to the net pensions liability, due to increased assets, of £26.860 million.</p>
	<p>As outlined on page 17, the national infrastructure issue was exacerbated in the Council’s case by a delay in receiving the Pension Fund Auditor Assurance letter until 24 March 2023. This meant that the triennial revaluation of the Tyne & Wear Pension Fund as at 31 March 2022 was available as more up-to-date information for management to reflect in the 2021/22 financial statements. This has required further work, which is outlined on page 17 of this report.</p>
	<p>Our work in this area is not yet fully complete and we will provide an update on outstanding matters to the Committee via a formal follow-up letter, which will include an updated summary of misstatements, if required.</p>



4. Significant findings – significant risk: valuation of property, plant and equipment

Property, plant and equipment valuation, including investment property

Description of the risk

The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council’s holding of property, plant and equipment (including the Council’s PFI waste facility).

The Council employs valuation experts to provide information on valuations, however there remains a high degree of estimation uncertainty associated with the (re)valuations of property, plant and equipment due to the significant judgements and number of variables involved.

How we addressed this risk

We:

- critically assessed the Council’s arrangements for ensuring that property, plant and equipment valuations were reasonable and not materially misstated;
- critically assessed the basis of valuations, using third party trend data where appropriate, as part of our challenge of the reasonableness of the valuations provided by Valuers, including the PFI shared waste facility;
- considered the competence, skills and experience of the Valuers and the instructions issued to the Valuers;
- substantively tested revaluations, including critically reviewing the Council’s own consideration of assets not revalued in the year and why they were not materially misstated;
- liaise with the Council’s new external valuation expert, Bruton Knowles, to understand their approach; and
- where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.

Audit conclusion

Work is ongoing in this area. We will report our findings in a follow-up letter.

Page 128



4. Significant findings – enhanced risk: accounting for PFI arrangements

Accounting for PFI arrangements

Description of the risk

The Council has two PFI arrangements, covering:

- fire & rescue; and
- a shared waste facility.

The method of accounting for PFI assets/liabilities is complex, therefore, this increases the risk of misstatement.

How we addressed this risk

We:

- reviewed the Council’s adopted approach for accounting for its PFI arrangements;
- reviewed any changes from prior years to the long-term financial model used;
- critically reviewed the assumptions made by management; and
- assessed the completeness and accuracy of disclosures.

Audit conclusion

Based on the results of testing, there are no significant matters arising which we are required to report to you.

Page 129



4. Significant findings – enhanced risk: accounting for PFI arrangements

Accounting for infrastructure assets	<p>Description of the risk</p> <p>The government has put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The override also removes the requirement for authorities to make prior period adjustments to infrastructure asset balances. The override does not include any provision for matters relating to gross cost or accumulated depreciation, as these matters are anticipated to be addressed through the Code.</p> <p>The statutory override does not apply to the depreciation charged in year. CIPFA bulletin 12 Accounting for Infrastructure Assets Temporary Solution specifically considers depreciation and useful lives of assets stating that depreciation is an estimate of economic consumption of economic benefits and cannot be a precise measurement.</p> <p>Given that the value of the Council’s Infrastructure Assets are material, we have identified useful expected lives and the depreciation estimate as a key area of management judgement with a risk of material misstatement.</p>
	<p>How we addressed this risk</p> <p>We addressed this area of management judgement by:</p> <ul style="list-style-type: none"> • reviewing management’s review of asset life, residual value and depreciation methodology for infrastructure assets; • assessing the expertise of the engineers management use to inform their estimate of useful expected lives; • reviewing the accounting policies for derecognition of infrastructure assets to ensure they reflect the accounting treatment applied; • obtaining assurance that the apportionment of NBV and in-year expenditure across classes of infrastructure assets are reasonable; • challenging the asset lives determined by the Council where they fall outside of the ranges in the CIPFA bulletin; and • ensuring management have included the disclosures required by the Code Update and Amended Regulations.
	<p>Audit conclusion</p> <p>Subject to completion of our work in this area, we anticipate concluding that the balances and associated disclosures in the final version of the Council’s financial statements are materially accurate and appropriately accounted for within the financial statements. We will be making a recommendation to management in respect of record keeping of expenditure on infrastructure assets, to ensure gross book values, and the associated accumulated depreciation, do not become materially misstated following removal of the statutory override</p>

Page 130



4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/2022 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances, subject to some amendments.

Draft accounts were received from the Council on 22 July 2022, ahead of the revised statutory deadline of 31 July 2022.

Significant matters discussed with management

Infrastructure

We have provided the Committee with regular updates on this national issue during the audit, which relates to highways assets. In late December 2022, the Government put in place a statutory accounting override to allow local authorities to treat the value of any replaced component of infrastructure assets as nil, without the need to further evidence that this is the case. The override also removed the requirement for authorities to make prior period adjustments to infrastructure asset balances. The override does not include any provision for matters relating to gross cost or accumulated depreciation, as these matters are anticipated to be addressed through the code.

The statutory override does not apply to the depreciation charged in year. CIPFA bulletin 12 Accounting for Infrastructure Assets Temporary Solution specifically considers depreciation and useful lives of assets stating that depreciation is an estimate of economic consumption of economic benefits and cannot be a precise measurement.

Given that the Council's infrastructure assets are material, we have identified useful expected lives and the depreciation estimate as a key area of management judgement with a risk of material misstatement.

We have reviewed the Council's assessment of the impact of this issue with associated working papers, and subject to clearing outstanding audit queries, anticipate completing our work in this area in the few weeks.

Pensions

We discussed with management the material variance between estimated assets used by the Actuary and the actual assets at the year-end based on the draft Pension Fund accounts. It became apparent that due to the timing of the Actuary's report production, that it was not based on the latest valuation data used by the Pension Fund. Therefore, the Council requested a revised pensions report. This resulted in a reduction to the net pensions liability, due to increased assets, of £26.860 million. Further details are set out under the significant risk section 4.

In addition, the draft Council accounts included values based on actuarial reports which used estimates at 31 March 2022 based on roll forward of information (e.g. membership data) since the last triennial review at 31 March 2019.

On 1 April 2023, the Council received the latest triennial review from the actuary, which provided more up to date data for 31 March 2022. These values are substantially different to the estimated values used for the draft accounts. We could not place any reliance on the new triennial valuation until:

- the auditor of Tyne and Wear Pension Fund carried out audit procedures on the membership data that supports the valuation; and
- We had obtained appropriate assurance over the other assumptions applied by the actuary.

We received the findings from Tyne and Wear Pension Fund's auditor's testing of triennial membership data on 29 August 2023. We then raised several queries in relation to their findings, which have now been answered to our satisfaction. However, our work in this area is not yet fully complete at this stage..

4. Significant findings continued

Significant difficulties during the audit

During the audit we encountered two areas of significant delay, neither of which were specific to the Council. The first issue was related to a national infrastructure issue, which was then exacerbated in the Council's case by a delay in receiving the Pension Fund Auditor Assurance letter until 24 March 2023. Page 17 provides further details in relation to these issues.

In addition, we encountered difficulties with the completion of work in the following areas:

- completion of property valuations testing at both Council and Group level;
- completion of the audit of Advance Northumberland Limited in order for us to review the component auditor file and carry out any additional testing at Group level as required; and
- consideration of the impact of issues initially identified by the SOLACE review, which was reported to the Council in June 2022. This has led to further investigations by officers in several areas, which have an impact upon our audit of the financial statements and the Council's value for money arrangements e.g. Senior officer remuneration and exit packages.

We note that we have had the full co-operation of management in resolving these issues and that the issues causing the delays relate to issues which we do not anticipate will have an impact on the resources available to the Council or its underlying financial position.

At this stage we still anticipate issuing an unqualified audit opinion although this is subject to the need to consider any issues arising from outstanding work.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and

- issue an advisory notice under schedule 8 of the 2014 Act.

To-date we have not exercised any of these powers as part of our 2021/2022 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised.



05

Section 05: **Internal control recommendations**

Page 133

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal controls or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal controls we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out in this section, along with follow-up of prior year recommendations. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the categories set out below:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal controls should be strengthened in these additional areas when practicable.	3

Page 34



5. Internal control recommendations

Other deficiencies in internal control – Level 2

Description of deficiency – Payroll

Audit work on a New Starter Form showed authorisation by the Line Manager was dated 05/01/22, but with a start date of 13/12/21. It was identified that there were 71 new starters listed as starting work with the Council in January 2022. Of these, 9 had a start date prior to January 2022.

Potential effects

Risk of misstatement, whether due to fraud and / or error. New starters commence employment prior to formal authorisation being recorded by HR, meaning that the required checks may be completed retrospectively.

Recommendation

Ensure that New Starter Forms are authorised prior to the employee's formal Start Date and that retrospective approval is avoided.

Management response

The start date was 13/12/2021 as completed by the manager. The form was not submitted by the manager until 05/01/2022, so the person was not placed on the payroll until the January payroll (backdated to the correct dec start date).

Unfortunately, this is a timing issue when managers complete the form. Payroll have little control over this.

We regularly issue communications to remind managers of the importance of completing paperwork in a timely manner and have started attending the managers induction sessions to inform them of the importance and their duties of notifying payroll of changes.

The Council is currently consulting with staff regarding the merging of its two main payrolls. The intention is that there will be one monthly payroll with effect from May 2024 streamlining the process and ensuring that going forward managers have only one deadline to work to.



5. Internal control recommendations

Other deficiencies in internal control – Level 3

Description of deficiency – Loans

Monthly reconciliations of loan repayments should be reviewed and authorised by a senior officer. For March 2022 the reconciliation was not reviewed and signed by a senior officer. Upon enquiry, the reconciliations for other months had been signed and reviewed and this report was used in the budget meetings for loans and investments. However, the use of the report is not direct assurance as to its review.

Potential effects

The entities understanding of its outstanding loan obligations could be incorrect and the loan obligation could be misstated in the accounts.

Recommendation

Ensure that loan reconciliations are appropriately reviewed and that this review is formally documented.

Management response

As outlined, monthly reconciliations of both borrowing and investments are carried out, reviewed and authorised by an appropriate senior officer. There is also, by proxy, a second check completed as the information included within these reconciliations is subsequently reported as part of the monthly budget monitoring process, by the same senior officer.

On this occasion, the senior officer responsible had not added their electronic signature to the face of the reconciliation for March 2022. Whilst all previous eleven months had been authorised appropriately, and a degree of assurance can be gained through the use of March 2022 figures in the subsequent budget monitoring reporting completed by the same officer, we acknowledge that the omission of the signature from the reconciliation presents an issue for auditors in gaining direct assurance for that particular month.

Whilst there is no indication of a systemic issue in the process, the senior officer responsible has since implemented additional reminders via both outlook calendar and through the monthly budget monitoring reporting process to ensure that the **electronic signature is added to the review**.

Description of deficiency - Adult Social Care

Where a service user receives Direct Payments of more than £650pw, officers are required to complete an audit on at least an annual basis to reconcile the money paid with the money spent on the permitted services. Any balance, minus the contingency allowance is then recovered.

For the sampled service user, the most recent 'Audit Report' covered the period from 7/1/21 to 4/6/22, a period of greater than 1 year. From discussion with the officer (who started within this team in September 2021), a backlog had built-up prior to their joining and was being cleared through late 2021/22 and early 2022/23. The backlog meant that, in 21/22, there were service users in receipt of more than £650pw who had not been audited at least once per year.

Potential effects

Officers are not identifying inappropriate expenditure or recovering large balances held by service users in a timely manner.

Recommendation

Ensure that Direct Payments audits are completed on an annual basis for service users in receipt of more than £650pw.

Management response

Our risk rating for audits has been updated as follows:

- Any new DP Accounts are audited quarterly for the first year
- Any managed accounts (e.g. Checkbook/Accountability) are then audited 6-monthly.

All other accounts are then audited using the following criteria:

- Four-weekly payments < £1000.00 (weekly equivalent = < £250.00) are audited annually
- Four-weekly payments £1000.01 – £2499.99 (weekly equivalent = £250.01 – £624.99) are audited 6-monthly
- Four-weekly payments > £2500.00 (weekly equivalent = > £625.00) are audited quarterly.

5. Internal control recommendations

Other deficiencies in internal control – Level 3

Description of deficiency - NNDR / Council Tax

Audit work noted that there was no formal sign-off / evidence of review following the input of either the Council Tax charges (RRV187) or NNDR parameters for 2021/22 in February 2021. In prior years, reports have been signed to evidence review.

Potential effects

Risk of misstatement due to error.

Recommendation

A record of the individual inputting the key parameters/info into the CT / NNDR system should be maintained, along with evidence of review and approval.

Management response

Electronic copies are now kept in a central drive, due to most of the process being carried out from home. In prior years everything was printed off. In addition to saving the reports we are now also saving a signed and dated statement confirming that the charges were checked and verified.



5. Internal control recommendations

Follow-up of previous internal control recommendations – Level 1

Description of deficiency

Exit Packages

Audit work identified there was insufficient evidence to show appropriate authorisation (e.g. by Members) of the significant senior officer's exit package (termination payment) included in the 2020/21 disclosure note.

There was no evidence of an appropriate business case for the termination payment being considered and approved by Members.

Per the Council's pay policy statement for 2020/21, "payments must always be in the financial and managerial interests of the County Council and all cases must be approved by the relevant Executive Director and the Head of Paid Service or their nominated representative. The Staff and Appointments Cttee has delegated authority from full Council to approve severance and redundancy payments for Chief Officers".

We note also the reference in the then Interim s151 officer's May 2022 S114 report setting out that "the Chief Finance Officer will undertake further investigation to establish whether any other unlawful payments have been made to any officers or former officers, including severance payments, which may require further reports under S114 of the Local Government Finance Act 1988".

Potential effects

Exit packages agreed which do not deliver value for money.

Insufficient oversight by Members over termination of senior officer employment.

Unlawful expenditure.

Recommendation

Ensure there is appropriate Member oversight and approval of senior officer termination payments.

2021/22 Update

The Council has implemented arrangements to ensure appropriate scrutiny and approval processes are established and followed in relation to all exit packages. However, exit packages granted in 2021/22 did not consistently comply with requirements due to the timing of implementation of these new arrangements.



5. Internal control recommendations

Follow-up of previous internal control recommendations – Level 1

Description of deficiency

Senior Officers Remuneration

Insufficient evidence to show appropriate approval of the Chief Executive's 'international allowance' disclosed of £40,000 e.g. approval by Members, via the Staff and Appointments Committee.

We note that the Council's pay policy statement for 2017/18 (no change in the statement applying to 2020/21) states that "any appointment within the Council that attracts a salary package of £100,000 or more will be considered and approved by the Staff & Appointments Committee. Salary package in this respect includes salary and any other fees, allowances, bonuses and benefits in kind that the postholder would routinely be entitled to".

We note also the then Interim s151 officer's S114 report on this matter issued in May 22, concluding the international allowance paid to the Chief Executive of £40,000 per annum was unlawful.

Potential effects

Inappropriately approved allowances.

Unlawful expenditure.

Recommendation

Ensure that all allowances for senior officers are appropriately approved.

2021/22 Update

The 'international allowance' was paid in 2021/22, prior to the section 114 notice issued by the Section 151 Officer in relation to this area. The Council has implemented arrangements to ensure appropriate scrutiny and approval processes are established and followed in relation to all remuneration packages for senior officers.



5. Internal control recommendations

Follow up of internal control recommendations – Level 2

Description of deficiency

Payroll system

A formal check of details input into Oracle used to be maintained (recording member of staff who input the details, and then member of staff who performed check) - during 2020/21, due to Covid-19 pandemic and time constraints, this check has not been in place.

Potential effects

Risk of misstatement, whether due to fraud and / or error.

Recommendation

Restate this control.

2021/22 Update

It is acknowledged that during the COVID lockdown when staff were relocated to work from home there were differing approaches in the completion of checklist that were PDF forms rather than hard copies, Payroll are now working with IT for a more automated version/process that will maintain a full audit trail of who has undertaken which element of the process.

There are a number of IT solutions being considered and it is hoped that a solution will be forthcoming asap, staff have been reminded about the importance of maintaining a standard approach on the completion of the existing checklists



5. Internal control recommendations

Follow up of internal control recommendations – Level 2

Description of deficiency

IT General Controls

Audit work identified that some of the employees who left the council during the audit period retained access to the Active Directory (AD).

Potential effects

Failure to remove user accounts from users who have left presents the risk that activities are performed by those not authorised to perform them.

Recommendation

Ensure that leavers are communicated to the system custodians promptly and that access is revoked on or before the users' leave date.

2021/22 Update

Our work on IT General Controls is not yet complete. We will update the Committee on progress in addressing this recommendation in a follow up letter.

Page 141



5. Internal control recommendations

Follow up of in internal control recommendations – Level 2

Description of deficiency

Debtors loan agreement - Signed copy of loan agreements.

Our testing of long-term debtors identified that::

- the schedule of repayments for one loan per the Council's workings, did not agree to the signed loan agreement.; and
- there was no loan agreement available to support one of the loans (which was part of LGR balances which transferred to the Council, with Newcastle City Council now repaying the loan). Originally Castle Ward MBC. "

Potential effects

Risk of misstatement, whether due to fraud and / or error.

Recommendation

The Council should review all of its loan agreements and ensure that:

- there is a loan agreement for all loans, including those which the Council took over as part of LGR; and
- the schedule of repayments is supported by a signed loan agreement.

2021/22 Update

Officers have undertaken a review of all loans to ensure signed loan agreements and/or an agreed schedule of repayments is in place for each loan. In relation to the Castle Ward MBC loan, officers contacted Newcastle City Council who also did not have a copy of the original loan agreement. Subsequently officers sent Newcastle City Council a schedule of expected loan repayments who have agreed that the schedule is correct.



5. Internal control recommendations

Follow up of internal control recommendations – Level 2

Description of deficiency

Property, plant and equipment (PPE) leases – tenancy agreements.

Our PPE sample testing of assets included a farm for which there was no signed lease agreement.

Potential effects

The Council does not have signed legal agreements in place for leased land which could lead to legal difficulties.

Recommendation

The Council should review all lease arrangements to ensure that where it is the lessor, there is a signed tenancy agreement in place.

2021/22 Update

In relation to Windmill Farm, no lease agreement has been put in place since. However, the basic terms of the tenancy are covered by the Agricultural Holding Act 1948. The tenant died which brought to an end the need for a lease. Part of the property is now being sold and some land is to be retained (for prospective future development). The retained part is to be let to the purchaser of the farm. Transfer and lease documents have been issued and completion is expected before Christmas 2023.

The Council's Strategic Estates Team has also completed a review of all properties and leases and a schedule is now in place. This review identified several missing lease agreements which are now being followed up by officers.



06

Section 06:

Summary of misstatements

Page 144

6. Summary of misstatements

This section outlines the misstatements identified during the audit, above the trivial threshold for adjustment of £0.571 million for the Group and £0.554 million for the Council.

The first table outlines the misstatements that were identified during our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Page 145	Dr: Short-Term Creditors			1,145	
	Cr: Long-Term Creditors				1,145
	Our work identified that £1.145m of Creditors would be more appropriately classed as Long-Term Creditors rather than Short-Term Creditors.				
	Dr: Short-Term Creditors			1,430	
	Cr: Expenditure		1,430		
	From our work on the sample testing of Short-Term Creditors, we identified a small number of errors which when extrapolated over the total population of Short-Term Creditors identified a maximum misstatement of £1.430 million.				
3	Dr: Income	1,170			
	Cr: Assets				1,170
	This is the downward revaluation of NCC's share holding in Newcastle Airport as per PwC Report commissioned by South Tyneside Council. No adjustment being made on grounds of materiality.				

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

6. Summary of misstatements

Unadjusted misstatements continued

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	Dr: Short-Term Debtors			759	
	Dr: Financing and Investment Income	219			
	Cr: Long-Term Debtors				759
	Cr: Short-Term Debtors				219
Audit testing of Long-Term Debtors identified issues which Management do not wish to amend.					
	Dr: Long-Term Debtors			2,407	
	Dr: Short-Term Debtors			835	
	Cr: Short-Term Debtors				2,407
	Cr: Income		835		
Audit testing of Short-Term Debtors identified issues which when extrapolated across the whole population resulted errors that Management do not wish to amend.					

Page 146



6. Summary of misstatements

Unadjusted misstatements continued

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
6	Dr: Short-Term Debtors			2,930	
	Cr: Income		2,930		
The Contingent Asset disclosed in the accounts for street lighting has resulted in a settlement of £2.93m, which should have been disclosed as a Short-Term Debtor.					
Total unadjusted misstatements (including previous pages)		1,389	5,195	9,506	5,700

Page 147



6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Net defined benefit liability			26,860	
	Cr: Remeasurement of the net defined benefit liability		26,860		
	Being the amendment as a result of the revised Actuary's report obtained, due to there being a significant difference between the data used by the Actuary compared to the Pension Fund in respect of pension assets.				
2	Dr: Long-Term Capital Grants Received in Advance			12,272	
	Cr: Short-Term Capital Grants Received in Advance				12,272
	Detailed audit work identified that a number of Capital Grants Received in Advance and Revenue Grants Received in Advance (RG RIA) were incorrectly classified and disclosed on the Balance Sheet.				
3	Dr: NNDR Provision for Appeals (Short-Term)			7,348	
	Cr: NNDR Provision for Appeals (Long-Term)				7,348
	The Council had made a provision for NNDR Appeals of £8,699k which were all classified as Short-Term. Further work identified that a more reasonable split of this figure would be a Short-Term provision of £1,351k and a Long-Term provision of £7,348k.				

Page 148

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money

Appendices

6. Summary of misstatements

Adjusted misstatements continued

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	Dr: Group CIES Subsidiary Companies Income	3,190			
	Cr: Group CIES Subsidiary Companies Expenditure		3,190		
To correct the misclassification of income and expenditure adjusting entries on consolidation.					
Total adjusted misstatements (including previous page)		3,190	30,050	46,480	19,620

Page 149



6. Summary of misstatements

Disclosure amendments

Audit work identified a number of amendments to disclosures. The most significant are summarised below, split into adjusted and unadjusted.

Adjusted disclosure amendments

Disclosures

- **Narrative Report:** A small number of issues were identified including –
 - The 2021/22 Total Services variance figure in the Revenue Budget & Outturn table should be £5,640k, not £6,136k as originally reported
 - Reference to British Volt development at Cambois which has now been removed.
 - The draft accounts identified that in 2021-22 the Council received £7.31 million in relation to Contain Outbreak Management Fund. The correct figure was £2.20 million
- **Note 17 Capital Expenditure and Capital Financing:** A disclosure error in that the item for £300k originally disclosed as 'Advance Northumberland Share Capital' should have stated 'Northumberland Enterprise Holdings Limited Share Capital'.
- **Note 19 Financial Instruments –** The narrative in relation to Newcastle Airport Local Authority Holding Company Limited was updated to more accurately reflect the current position.
- **Note 26 Creditors:** The total amounts disclosed in this Note were correct however the split within the headings were incorrect. The affected headings were NHS Bodies, Other Entities and Individuals, Other Local Authorities, and Public Corporations and Trading Funds.
- **Note 27 Significant Commitments under Capital Contracts:** Figures disclosed for County Hall were overstated by £3.6 million.
- **Note 41 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted:** Note narrative updated to include reference to IAS 16 (Property, Plant and Equipment) – amendments relating to Proceeds before Intended Use.
- **Note 42 Critical Judgements in Applying Accounting Policies:** Narrative has been amended and updated to more accurately reflect the current position
- **Note 44 Events After the Reporting Period:** Reference to the Academy conversions has been updated to more fully explain the current position.
- **Collection Fund Statement, Note 2 (NNDR);** The total non-domestic rateable value of all properties in Northumberland was reported as £233.511 million in table 2 however the correct figure as per the Valuation Office Agency Schedule for the year ending 31/3/22 showed a figure of £235.846 million, a variance of £2.335 million.
- **Group Accounts Note 9 Officers Remuneration;** The original report published in relation to employee's remuneration included the incorrect parameters. A revised report identified that a further 2 employees should be disclosed - an additional employee in the £65-£70k banding and an additional employee in the £80-85k banding.
- **Group Disclosures;** A Group Financing Investment Income and Expenditure note was not disclosed in the draft accounts. This has now been added.

Page 150



6. Summary of misstatements

Disclosure amendments

Unadjusted disclosure amendments

- **Notes to the Accounts - Notes References;** The table on Page 39 do not list page numbers for the Notes, making the Accounts difficult to navigate for the reader.
- **Note 19 Financial instruments;** PwC were commissioned to complete a revaluation of the Newcastle Airport shares held by the 'LA7', producing a revised valuation for council as at 31 March 2022. The revised valuation for Northumberland County Council's shareholding was received in late July 2022 and reduced the share valuation from £13.49 million to £12.32 million, a reduction of £1.17 million. Giving the timing of receipt of the valuation and also the financial impact, officers are proposing not to adjust the 2021/22 Accounts.

Page 151



07

Section 07: **Value for Money**

Page 152

7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - how the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - how the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - how the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report no later than three months after the auditor's report on the financial statements is signed.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we anticipate issuing a qualified opinion in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources, however, we continue to undertake work on the Council's arrangements.

As noted already, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report no later than three months after the auditor's report on the financial statements is signed.

Page 153



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mr Cameron Waddell
Partner
Mazars LLP

Date:

Northumberland County Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Northumberland County Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022 and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director of Transformation and Resources (Section 151 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.



Appendix A: Draft management representation letter

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Executive Director of Transformation and Resources (Section 151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council’s financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which I am aware.

Charges on assets

All the Council’s assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2021/22 in relation to the Council’s PFI schemes that you have not been made aware of.



Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed .Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

I confirm I have disclosed to you the extent of RAAC (Reinforced Autoclaved Aerated Concrete) in Council-owned buildings and to date, there is no indication of any significant issues.

I confirm also I have assessed the impact on the Council of the global banking challenges, in particular on whether this impacts on the Council’s ability to continue as a going concern and on post balance sheet disclosures.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the financial statements.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. *[Please ensure an appendix is attached to the letter setting out all unadjusted errors]*

Yours faithfully

Executive Director of Transformation and Resources:

Date:



Appendix B: Draft audit report

Independent auditor’s report to the Members of Northumberland County Council

Audit opinion

To follow

Page 159



Appendix C: Independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Cameron Waddell in the first instance.

Prior to the provision of any non-audit services Cameron Waddell will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Principal threats to our independence and identified associated safeguards in relation to the non-audit work are summarised below. Note that each of these services relate to work on grant claims and returns at local authorities where such assurance is mandated by legislation or by a relevant national body or regulator.

Area of work	Perceived threat	Safeguards and commentary
Assurance Services: Housing Benefits Subsidy return	Self-review threat	No safeguards required. The fee for this work is neither significant to Mazars LLP nor the Council/Group.
Assurance Services: Teachers' Pensions Return	Self-review threat	No safeguards required. The fee for this work is neither significant to Mazars LLP nor the Council/Group.
Assurance Services: Pooling of Housing Capital Receipts return	Self-review threat	No safeguards required. The fee for this work is neither significant to Mazars LLP nor the Council/Group.

Appendix D: Other communications

Other communication	Response
Compliance with laws and regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	There were some delays and issues with regard to obtaining external confirmations, however, nothing which has indicated any risk of material misstatement, whether due to fraud or error.
Related parties	<p>Issues were identified in respect of related parties disclosures, as set out in section 4 'significant matters discussed with management' and section 06 'adjusted disclosure amendments', along with an internal control recommendation raised in section 5.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going concern	<p>We have not identified any evidence to cause us to disagree with the Executive Director of Transformation and Resources (Section 151 Officer) that Northumberland County Council will be a going concern, and therefore, we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Page 161



Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit and Standards Committee, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Page 162



Cameron Waddell, Partner

Mazars

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Page 163

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

This page is intentionally left blank



Northumberland County Council

Audit Committee

Wednesday, 29 November 2023

Statement of Accounts 2021-22

Report of Councillor(s) Richard Wearmouth, Deputy Leader and Cabinet Member for Corporate Resources

Responsible Officer(s): Jan Willis, Executive Director for Resources & Transformation (S151)

1. **Link to Key Priorities of the Corporate Plan**

This report is relevant to all priorities included in the Corporate Plan 2023-2026.

2. **Purpose of report**

To seek approval of the Council's Statement of Accounts for the financial year ended 31 March 2022.

3. **Recommendations**

- 3.1 It is recommended that Audit Committee approve the Statement of Accounts for the Council for the financial year ended 31 March 2022, noting the outstanding issues in Section 2 of the External Auditors Audit Completion Report.
- 3.2 It is recommended that Audit Committee approve delegated authority for the Executive Director of Transformation and Resources to agree the outstanding issues detailed in Section 2 of the External Auditor's Audit Completion Report.

4. **Forward plan date and reason for urgency if applicable**

Not applicable.

5. **Key Issues**

- 5.1 In accordance with the statutory deadlines, the draft (unaudited) statement of accounts for Northumberland County Council for the financial year ended 31 March 2022 was authorised by the responsible financial officer and published on the Council's website on 22 July 2022, ahead of the statutory deadline of 31 July 2022.

- 5.2 During October 2022 two drop-in sessions were arranged for members of Audit Committee to speak to officers regarding any issues or points of clarification sought by Members.
- 5.3 Approval needs to be given to the final statement of accounts by resolution of the Council's Audit Committee. This approval will take account of the views of the External Auditor. Once approved, the statement of accounts must be published on the Council's website.
- 5.4 The accounts have been subject to review by the External Auditor (Mazars LLP). A number of amendments have been identified and have been included in the statement of accounts presented today.
- 5.5 The External Auditor intends to issue an unqualified opinion on the financial statements of the Council. Work on Value for Money is not yet complete, however at the time of this report the External Auditor has indicated that a qualified opinion is anticipated.

6. Background

- 6.1 The published accounts are important in demonstrating the Council's stewardship of public money. They show the resources available to the Council and how they are used to deliver services to the people of Northumberland. The Statement of Accounts for 2021-21 has been compiled in accordance with the Code of Practice on Local Authority Accounting, published by the Chartered Institute of Public Finance and Accountancy.
- 6.2 The Accounts and Audit Regulations 2015 stipulates a two-stage approval process for the statement of accounts. The first statutory deadline usually requires that the responsible financial officer, by no later than 31 May should sign and certify that the statement of accounts presents a true and fair view of:
 - (a) the financial position of the Council for the year to 31 March previous, and
 - (b) its expenditure and income for the year to 31 March previous,subject to the views of the External Auditor.
- 6.3 The second stage requires that on or before 31 July approval needs to be given to the statement of accounts by resolution of a committee, which for Northumberland County Council is the Audit Committee. This approval will take account of the views of the External Auditor. Once approved, the statement of accounts must be formally published on the Council's website.
- 6.4 However, the statutory deadlines were extended for the 2021-22 year due to the impact of Covid-19 on local authorities. The key changes for the publication of accounts for 2021-22 are as follows:
 - (a) the deadline for the Council to publish its draft accounts was 31 July 2022 (not 31 May); and,
 - (b) the deadline for publication of its final (audited) accounts moved from 31 July to 30 November 2022.
- 6.5 The first stage was completed on 22 July 2021.

- 6.6 There has been a significant delay in relation to the second stage of the process in completing the audit of the accounts. This is as a result of several factors outside of the Council's control and include the following:
- (a) a national infrastructure issue impacting on most councils. The issue relates to likely overstatement of infrastructure balances, due to balances not being sufficiently depreciated, in part due to insufficient historic records of infrastructure expenditure being maintained. CIPFA's 'Bulletin 12 – Accounting for Infrastructure Assets' in February 2023 provided Local Authorities with further guidance for its financial statements estimation processes by providing typical indicative lives for various components of an authority's highways network. On the back of this, officers undertook a large scale exercise categorising each of the Council's 7,000 plus infrastructure assets by project and in accordance with the prescribed network components. Following this exercise, specialist Highways input was sought on the appropriateness of this approach, with suitably qualified and experienced Highways officers asked to review and verify the useful lives for each category based on their knowledge of local factors. The 2021-22 financial statements were amended, and the revised Statement of Accounts provided to the External Auditor on 29 June 2023.
 - (b) the delay due to the infrastructure issue was then exacerbated by a delay in receiving the Pension Fund Auditor Assurance letter until 24 March 2023. This meant that the triennial revaluation of the Tyne & Wear Pension Fund as at 31 March 2022 was available as more up to date information to reflect in the 2021-22 financial statements. The Council was required to obtain updated IAS19 valuation reports and amend the 2021-22 financial statements for the new figures. The amended 2021-22 Statement of Accounts were provided to the External Auditor on 29 June 2023.
 - (c) the completion of the audit of Advance Northumberland Limited.
 - (d) consideration of the impact of issues initially identified by the SOLACE review, which was reported to the Council in June 2022.
- 6.7 The External Auditor has made good progress in completing the audit of the statement of accounts and the Final Audit Completion Report is to be presented by the auditor to the Committee today. At the date of this report there remain audit procedures that are in progress and areas where the auditors are continuing to work with officers to resolve audit queries and agree amendments to the financial statements. Approval is requested for delegated authority for the Executive Director of Transformation and Resources to agree the outstanding issues with the External Auditor on the basis that they are not expected to be material.
- 6.8 During the audit, working in collaboration with the auditor, a number of amendments were identified which have been included in the statement of accounts presented today.

7. Statement of Accounts

- 7.1 The statement of accounts for the financial year 2021-22 has been prepared in accordance with the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the Accounts and Audit (England) Regulations 2015 and the Code of Practice on Local

Authority Accounting 2021-22 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 7.2 The Code is based on approved accounting standards in England and Wales and constitutes ‘proper accounting practice’ under the terms of section 21(2) of the Local Government Act 2003. The Council is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts which are unavoidably technical and complex.
- 7.3 During the audit review of the draft statement of accounts, a number of ‘misstatements’ were identified which have since been amended. These are listed in Section 6 of the Final Audit Completion Report.
- 7.4 In addition, a number of changes have been made to the notes to the core financial statements to correct errors and ensure compliance with the requirements of the Code.
- 7.5 There were a number of non-material misstatements identified which remain unadjusted. These are listed in Section 6 of the Final Audit Completion Report. As the unadjusted misstatements do not materially affect the accuracy/integrity of the statement of accounts, no adjustments have been made for these items.
- 7.6 Upon completion of the audit of the accounts, a ‘letter of representation’ will be produced which will contain the reasons for not adjusting any items.
- 7.7 To help Members in reading and interpreting the contents, Appendix 1 to this report briefly explains the purpose of each section of the statement. The Statement of Accounts is attached as Appendix 2 and the External Auditor’s Audit Completion report is attached as Appendix 3.

8. Options open to the Council and reasons for the recommendations

- 8.1 It is recommended that Audit Committee approve the final Statement of Accounts for the Council for the financial year ended 31 March 2022, noting the outstanding issues in the External Auditors Audit Completion Report.
- 8.2 It is recommended that Audit Committee approve delegated authority for the Executive Director of Transformation and Resources to agree the outstanding issues detailed in the External Auditor’s Audit Completion Report.

9. Implications

Policy	None.
Finance and value for money	The Statement of Accounts summarises the financial performance of the Council for the 2021-22 financial year and shows its net worth as at 31 March 2022. The figures included in the Statement of Accounts must represent a true and fair view of the Council’s financial position and the External Audit testing and opinion on these figures is a significant part of this process.

Legal	There are no direct legal implications contained within this report.
Procurement	There are no direct procurement implications contained within this report.
Human resources	There are no direct HR implications contained within this report.
Property	There are no direct property implications contained within this report.
The Equalities Act: is a full impact assessment required and attached?	There are no direct equalities implications contained within this report. N/A
Risk assessment	The risks within the preparation of the Statement of Accounts are well managed through the embedded processes in place. Once the accounts are signed off a full “lessons learned” review will be undertaken to inform arrangements for future years.
Crime and disorder	There are no direct crime and disorder implications contained within this report.
Customer considerations	There are no direct customer consideration implications contained within this report.
Carbon reduction	There are no direct carbon reduction implications contained within this report.
Health and wellbeing	The Council’s budget is founded on the principle of promoting inclusivity.
Wards	(All Wards);

10. Appendices

1. Guidance document to Statement of Accounts 2021-22
2. Northumberland County Council Statement of Accounts 2021-22
3. External Auditor’s Audit Completion Report

11. Background Papers

None other than the above appendices

12. Links to other key reports already published

Report to Audit Committee 23 March 2022: Changes to the Code of Practice for Local Authority Accounting in the UK for 2021-22

Report to Audit Committee 23 March 2022: Northumberland County Council
Statement of Accounts 2021-22

Report to Audit Committee 23 March 2022: Statement of Accounts - Group Boundary
Review

Report to Audit Committee 28 September 2022: Northumberland County Council –
Consideration of 'Going Concern Status' for the Statement of Accounts for the year
ended 31 March 2022

Report to Audit Committee 25 January 2023: Annual Governance Review and Draft
Annual Governance Statement 2021-22

13. Author and Contact Details

Suzanne Dent,
Email: suzanne.dent@northumberland.gov.uk

Item	Pages	Explanation of Purpose and Content
Narrative Report	5	To offer interested parties an easily understandable effective guide to the most significant matters reported in the accounts.
Independent Auditor's Report to Northumberland County Council	28	Once the audit is complete the Auditor's report will be signed
Statement of Responsibilities	31	Sets out the responsibilities of the Council and of the Executive Director of Transformation & Resources for the statement of accounts.
Core Financial Statements		
Comprehensive Income and Expenditure Account (CIES)	33	This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
Movement in Reserves Statement	34	This statement shows the movement in the year on the different reserves held by the Council analysed into 'usable' reserves and other reserves.
Balance Sheet	35	The balance sheet shows the value of the assets and liabilities recognised by the Council as at 31 March. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.
Cash Flow Statement	36	The cash flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
Notes to the Accounts	39	The notes are important in the presentation of a true and fair view. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information

Item	Pages	Explanation of Purpose and Content
		required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the policies and procedures adopted in compiling the accounts.
Housing Revenue Account	150	The Housing Revenue Account (HRA) is a ring-fenced account and records expenditure and income relating to the running of the Council's own housing stock and closely related services or facilities, which are provided primarily for the benefit of the council's own tenants.
Collection Fund Account	158	The Collection Fund reflects the statutory obligation of billing authorities to maintain a separate Collection Fund, distinct from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and National Non Domestic Rates on behalf of those bodies (including the Council) for whom the income has been raised.
Group Accounts	162	The Group accounts consolidate the results and balances of the Council with those organisations considered to be part of the Group.
Firefighters Pension Fund	176	The Firefighters' Pension Fund shows Employee and Employer contributions being paid into the fund, offset by Pension payments being paid out of the fund. The shortfall is met by central government grant from the Home Office.
Glossary of Terms	180	To assist readers in understanding terminology used in the statement of accounts.